FINAL TRANSCRIPT

High Tide Inc.

Second Fiscal Quarter 2026 Audited Financial and Operational Results Conference Call

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PRESENTATION

Operator

Good morning, my name is Jenny and I will be your conference Operator today. At this time, I would like to welcome everyone to High Tide Inc.'s Second Fiscal Quarter 2026 Audited 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. Instructions will be provided at that time for you to queue up for questions.

I will now turn the call over to your host.

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 Mayank Mahajan, Chief Financial Officer.

On June 15, 2026, the Company released financial and operational results for the fiscal quarter that ended April 30, 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 security laws and are based on assumptions, expectations, estimates, and projections as of the date hereof.

Specific forward-looking statements include, without limitation, all disclosures regarding future results of operations, economic 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 15, 2026, our latest annual information form, and our latest Management discussion and analysis each filed with securities regulatory authorities at sedarplus.ca or on EDGAR at www.sec.gov/EDGAR, or on the Company's website at www.hightideinc.com, and which are hereby incorporated by reference herein.

Although these forward-looking statements reflect Management's current beliefs and reasonable assumptions based on the currently available information to Management as of the date hereof, we cannot be certain that the actual results will be consistent with the forward-looking statements in the future. There can be no assurance that actual outcomes will not differ materially from these results. Accordingly, we caution you not to place undue reliance upon such forward-looking results. For any reconciliation of non-IFRS measures measured and discussed, please consult our latest Management discussion and 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, 2026. I will begin with some high-level comments about the quarter and our strategy before Mayank dives deeper into the financials.

The High Tide team built on top of the strength we demonstrated in Q1 and took the Company to new heights in Q2. As it is typically the slowest quarter from a seasonal perspective and given three fewer days, Q2 is usually our weakest quarter. I am extremely proud to report that not only was this our best Q2 ever, but looking at the financial highlights, it was the best overall quarter we have ever reported to our Shareholders.

There was strength across the board. As we set new all-time records in revenue, gross profit, income from operations, and Adjusted EBITDA. These all-time highs were supported by both our core bricks-and-mortar Canadian cannabis business as well as Remexian, which generated record levels of tonnage, revenue, gross margin, and Adjusted EBITDA in Q2.

Let's drill into the highlights. Our consolidated revenue for the quarter was $179.3 million, putting us on an annualized pace well ahead of $700 million. Revenue was up 30 percent year-over-year, growing at its fastest pace in 11 quarters. Our bricks-and-mortar segment saw cannabis, hemp-derived products, and other revenue post an 8 percent gain year-over-year.

At $48.4 million, our consolidated gross profit set an all-time record. This grew even faster than revenue, up 36 percent year-over-year, representing the fastest pace of growth in 12 quarters. Sequentially, gross profit was up 9 percent despite this quarter having three fewer days to make sales. At 27 percent, our consolidated gross profit margin set an 8-quarter high and was up over 200 basis points sequentially.

Our bricks-and-mortar segment posted a sequential gain, but the real standout was our medical cannabis distribution segment, which generated gross profit margin of 27 percent, which was more than double the 12 percent it generated in Q1. Since we first disclosed our plans to enter the German medical cannabis market, we had identified our unparalleled ability to be able to procure cannabis at best-in-class terms, and now I am thrilled to see this showing up in our financial results.

Income from operations was a record $6.1 million in Q2, up a truly impressive 554 percent year-over-year and 157 percent sequentially, highlighting the degree of operating leverage in the business and the extent to which we run a tight ship.

Adjusted EBITDA of $13.9 million was an all-time high. This was up 73 percent year-over-year, marking its fastest pace of growth in 9 quarters and up 21 percent sequentially. Our Adjusted EBITDA margin of 8 percent set an 8-quarter high.

Again, while Q2 is typically the seasonally slowest quarter of the year, and with three fewer days, I am proud that we were still able to hit key milestones of positive net income and free cash flow this quarter. Adjusted for non-cash fair value charges of derivative liabilities and excluding non-controlling interest, we generated net income of $0.01 per fully diluted share, which was a huge reversal from a loss of $0.04 in the prior year and a loss of $0.02 sequentially. Excluding the non-cash impact from derivative liabilities, which largely arise from the outperformance of Remexian's results, we believe we are at the point where we can sustainably generate positive net income going forward.

Free cash flow was $1.5 million in Q2. While this was lower than what we had generated in Q1 this year and Q2 last year, the devil is in the details. Cash flow from operating activities prior to changes in non-cash working capital was $8.8 million, which was a seven quarter high. However, setting the multiple all-time records, I just reviewed required investments and working capital to grow the business. Specifically, we invested $4.3 million in working capital, which was the largest quarterly investment we've made during the past six years. As we always say, we believe it's most appropriate to look at a longer period of free cash flow to smooth out such variability from working capital changes. Over the past 12 months, we have now generated $13.4 million in free cash flow.

All of this execution doesn't just happen by accident or because a rising tide is lifting all boats across the industry. That's clearly not the case when you compare our performance versus our peers. We work hard and exceed our own expectations ahead of our own internal timelines. Having been legally selling to cannabis consumers for approaching 20 years now, we understand all aspects of our ever-changing business very well. We don't follow the herd. We don't sit on our hands as markets evolve. We've made bold moves, but thoughtful and calculated ones, not rash decisions. These have been paying off. Whether it's our differentiated discount club model or our entry into the German medical cannabis market, our innovative moves have carved out a successful winning strategy, and others are struggling to play catch-up later.

The Remexian transaction closed on September 2, 2025, and we have used our unparalleled ability to procure cannabis from Canada to boost the Company's results, just like we said we would. 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. This quarter, Remexian generated $31.6 million, averaging over $10.5 million a month.

In terms of volumes, Remexian sold 7.6 tons of medical cannabis during the three months ended March 2026, which was up 85 percent from the three months ended September 2025, and we have more than doubled our market share in the two quarters since the transaction to 14.1 percent from 6.5 percent. We believe we are heading towards 20 percent market share in Germany in the long term.

Scaling the top line and boosting market share was an important element of our German strategy, and I'm thrilled with how well and how quickly it is playing out. But the other key component of our strategy was how we could get better terms, given our relationships with licensed producers, not just volume for volume's sake. Again, success here was already demonstrated this quarter. Gross margins at Remexian were 27 percent in Q2, more than double the 12 percent generated in Q1. With strong cost controls and relatively fixed overhead, almost two-thirds of the sequential increase in gross margin dollars flowed down to Adjusted EBITDA in this segment, which posted a significant reversal from negative $265,000 in Q1 to positive $3.2 million in Q2.

Looking ahead, I'd like to point out that given its nature, specifically being somewhat reliant on the specific timing of when bulk shipments may arrive around quarter ends, the German medical cannabis business may see more volatility than our bricks and mortar business, which is supported by 228 stores open to customers every day. Additionally, we are monitoring for any potential changes to the German medical cannabis framework.

However, the macro backdrop keeps improving. With Canadian cannabis gaining share, now at 53 percent of all imports into Germany, and the last three months, average of Canadian medical cannabis exports to Germany reaching over $400 million annually, a record level, and up 85 percent year-over-year. Given these macro dynamics and our belief that we are still just going on leveraging our strong relationships, we feel that the Q2 results are much more representative regarding the go-forward picture for Remexian than the Q1 results.

Germany has been a smashing success for us in just two quarters, and we are seeing other Canadian companies following our footsteps, making transactions in Germany, or quoting industry players. While we think we are still ramping up in Germany, we are already plotting our next move in other jurisdictions. All I can say is that discussions are encouraging. We are already number one in Canada and Germany in terms of market share, and given the potential partners we are eyeing, we see a path to becoming number one in other jurisdictions as well.

We are at the point where industry participants are seeing what we've done in Germany in such a short timeframe, and are reaching out to us as their potential partner of choice. Accordingly, we have had a lot of inbound interest from multiple partners in various jurisdictions, including the U.K. The Cabana Club is the most differentiated concept globally. As other markets inevitably go adult use, we believe our model will be dominant in those markets as well.

With that, let's discuss the results from our bricks and mortar segment, which now also includes our e-commerce business. The segment posted a 7 percent increase in revenue year-over-year, and daily sales were consistent sequentially. Driven by higher margin initiatives such as elite memberships and white label sales, gross profit margin of 28 percent in this segment was the highest level in two years. Adjusted EBITDA was up 33 percent year-over-year.

Our innovative discount club model, the Cabana Club, continues to expand. We are now at 2.65 million Cabana Club members across Canada, up 39 percent year-over-year, adding 750,000 new members over the past 12 months. We continue to move forward towards a long-term goal of 3 million members in Canada. Elite is growing even faster, up 84 percent year-over-year, and has exceeded 178,000 members.

Our retail KPIs remain very impressive. While our same-store sales underwhelmed this quarter, public filings and the intelligence we've gathered cause us to believe that we have nevertheless outperformed our publicly traded and privately held peers. While there are competitive pressures, both from illicit operators and legal competitors, as well as our core customers' wallets being impacted by overall macroeconomic conditions, we are nevertheless taking measures to improve this metric in the coming quarters.

Our long-term trend of outperformance is clear. Chaining our monthly same-store sales increases since launching our innovative discount club model in October 2021, Canna Cabana was up 161 percent to March 2026. In contrast, as the increase in total sales in the five provinces where we operate has not kept pace with the increase in the number of stores, the average operator has experienced a 7 percent sales decline during this period.

Our market share within the five provinces where we operate was 12 percent during February and March, which was consistent with a year ago. Excluding British Columbia, where we have been at a regulatory cap of eight stores for two and a half years, I know that our market share was up 14 percent across the four provinces during February and March, which was up versus 13 percent a year ago. Excluding stores open less than six months, which are still ramping up, our annualized revenue per square foot in Q2 was $1,620, once again above many leading blue chip retailers.

In March, the average Canna Cabana store was on an annual revenue run rate of $2.4 million of product sales, which was double our peer average at $1.2 million. In Ontario, the largest province, and focused 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 $2.7 million annual run rate, which was two and a half times our peers at $1.1 million. For the 12 months ended March 2026, 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 13 percent during this period.

Regarding the outlook, we reiterate our target to add 20 to 30 stores in Canada during this calendar year, and we are already at 10. I'm very happy to have announced an agreement to acquire four Northern Helm stores yesterday. These Northern Helm stores are strong performers, generating $8.5 million of annualized revenue and $1.7 million of annualized Adjusted EBITDA for the three months ended March

2026. This transaction is consistent with our stated objective of supplementing organic growth with acquiring strong performing stores which are not closed to Cabanas at a fair and accretive multiple, and aiming to get even more juice out of their results with our model.

With the transaction expected to close soon, I welcome the Northern Helm team to the Canna Cabana family. With this one announced, 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.

Turning to our U.S. e-commerce business, which is a very minor component of our bricks and mortar segment, I'm pleased to report this business has stabilized, as we reported last quarter, and has improved its Adjusted EBITDA generation. Specifically, our EBITDA earned in the U.S. improved by $2.4 million versus the prior year. There are interested parties at the table on the accessory side regarding a potential transaction, while we see how the U.S. CBD market unfolds given the anticipated upcoming CBD pilot projects through Medicare, given our well-established and leading NewLeaf Nationals brand. As always, we will look to what surfaces the most value for our Shareholders.

At the same time, given the rescheduling momentum we have seen in the U.S., we continue to evaluate opportunities to take our Canna Cabana brand there across a range of scenarios, and without giving up our major U.S. exchange listing. All options are on the table. However, we are being extremely thoughtful in how we approach this massive market. Longer-term investors may recall that we had multiple option-style agreements in many U.S. states that were diligent, negotiated, and papered back in

2021. Ultimately, we decided not to pull the trigger on them given the limitations of the structure, and particularly considering how well our stores were performing in Canada. We ended up passing on those deals and allocating all of our capital on winning the Canadian market, which we did.

We are taking the same approach now. While we are very interested in entering the market, you can only shoot that bullet once, so it has to be the right markets with the right partner under the right regulatory environment and terms that make sense for our Shareholders. Fortunately, while we wait for the right conditions to enter the U.S. with a big splash, there is no shortage of obvious immediate-term growth ahead for us, be it adding over 100 stores in Canada, continuing to ramp up in Germany, and entering other markets.

In conclusion, Q2 was the best quarter in our Company's history, and we see a bright path ahead for more growth. Our long-term track record of outperformance and strong results quarter-in, quarter-out has not gone unnoticed. I am thrilled to announce that we have secured credit approval with Bank of Montreal for $40 million of facilities. This is no small feat for a cannabis retailer. It represents the culmination of years of hard work, persistence, and continued operational execution by our team. We expect the facility to close in the coming weeks to start formally working with our new long-term credit provider to help fuel the growth we anticipate ahead. Having Bank of Montreal in our corner gives us more firepower, boosts confidence in our business, and makes us a more institutional-grade company.

That said, I'd like to briefly address the valuation of our shares. I see a clear disconnect between the increasing attractiveness of High Tide as an investment in the debt markets, as evidenced by our announced $40 million commitment with the Bank of Montreal, which was the result of a process where multiple Tier 1 banks were at the table, and where our shares are currently trading in the equity markets. As of Friday's close, our shares are trading at an EV2 last quarter annualized Adjusted EBITDA multiple of just 5.7 times, a level I believe does not appropriately reflect the business we have already built and what lies ahead.

In our view, our Adjusted EBITDA is growing faster than the market has been able to digest, with Q2's levels 73 percent higher than a year ago. Two quarters into fiscal 2026, we have already generated two-thirds of the Adjusted EBITDA we did in all of fiscal 2025. Our capital markets team has been meeting with institutional investors across the continent, highlighting the opportunity our shares represent. I believe our job gets even easier with these Q2 numbers. While we cannot control the market, I'm confident that our efforts will pay off.

In the meantime, our Management team and Board continues to put our money where our mouth is and support the Company as evidenced by another round of insider buying last month. I believe the fact that the team that is closest to the operations and sees what we are building has been buying more shares is a very strong signal in our conviction and one I truly appreciate.

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.

Q2 was another great quarter for High Tide. We kept executing in Canada, posted large gains internationally, and set new records on almost all financial metrics. Let's take a deeper dive into the numbers. Revenue for Q2 was once again a new all-time high at $179.3 million, up 30 percent year-over-year, the fastest pace of growth in 11 quarters, and up 1 percent sequentially. This was the fourth consecutive quarter making a new all-time high in revenue. Consolidated gross margins were 27 percent in Q2 and the highest level in eight quarters.

Our two operating segments posted gross margins which were fairly similar while each was setting new highs. Our brick-and-mortar segment posted its highest gross margins in two years at 28 percent. Meanwhile, our relatively new medical cannabis distribution segment generated a big leap to 27 percent, more than double Q1's level of 12 percent.

Turning to expenses, salaries and wages represented 11.9 percent of revenue in Q2, marking a meaningful improvement versus 12.7 percent a year ago and just ahead of 11.8 percent sequentially. Once again, we demonstrated improving cost controls at High Tide in Q2. General and administrative expenses represented just 4 percent of revenue, marking the lowest level in seven quarters. This metric was 4.2 percent a year ago and 4.1 percent sequentially.

Adjusted EBITDA was $13.9 million for that quarter. This was up an outstanding 73 percent year-over-year, marking its fastest pace of growth in nine quarters. Our consolidated Adjusted EBITDA margin also set an eight-quarter high at 8 percent. At 10 percent, the addition of Remexian was additive to our consolidated Adjusted EBITDA margin.

High Tide generated $1.5 million of free cash flow in Q2. Again, while this was lower than some recent quarters, when you look at the component of this figure, you see a different picture. As Raj mentioned, there was a very meaningful investment in working capital to produce the growth we saw this quarter. Cash flow from operating activities before investing in working capital was $8.8 million, highlighting the ability of our business to generate cash. This was the highest level in seven quarters and almost as much as the entire first half of fiscal ‘25. Over the past 12 months, we generated $13.4 million of free cash flow. We are very pleased to see that we reported positive net income this quarter, and we believe this is sustainable on an adjusted basis, excluding non-cash derivative liability changes.

We continue to have a strong balance sheet. As of today, at the High Tide level, total debt stands at $63.6 million. We had $36.5 million in cash and restricted cash at the end of the quarter. I am looking forward to closing the facility with Bank of Montreal imminently. We will have a $25 million revolving facility with almost $19 million of room available to draw down after paying connectFirst. The beauty of a revolver is that we only pay interest on the amount we draw, but the remainder is there on demand. Similarly, we will have a $15 million committed delayed draw term loan, which can be used to repay our second position lender, save on ongoing interest payment, and expand our relationship with Bank of Montreal.

In closing, Q2 was a breakout quarter for High Tide. We have a retail platform which continues to dominate in Canada, and we have proven our unique ability to leverage that strength to quickly establishing a leadership position overseas. I look forward to what the future brings for us as we grow profitably even further. 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 the star followed by the one on a touchtone phone. If you wish to cancel your request, please press the star followed by the two. If you are using a speakerphone, please lift the handset before pressing any case. Once again, that is star one, should you wish to ask a question.

Your first question is from Bill Kirk from Roth Capital Partners. Your line is open.

Bill Kirk — Analyst, Roth Capital Partners

Thanks. Good morning, everybody. My question to start is, how has Remexian's tonnage performed in May? The bigger part of the question here is going to be, with May and half of June now, our numbers would suggest you're completely through that older sourced or back-blogged inventory. If that's the case, how does sourcing and cost of product change, and what does it mean for international margins off these Q2 levels?

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

Good morning, Bill. Thank you so much for your question. Remexian has obviously outperformed all of our expectations in Q2. You may recall, Bill, that February was about 20 percent gross margins, but then he really took off from there. We have full visibility on May. May is somewhat between March and April and February. It's not as strong as, let's say, April, but it's not as weak as February in terms of gross margin.

Like I said, I said this in my prepared remarks, that performance at Remexian is going to be lumpier over quarters, because it just depends on the timing of the international shipments when they actually arrive in Germany. The current situation, Bill, is we can sell our distribution capabilities in Germany are second to none.

Our procurement capabilities are definitely second to none here in Canada, as you can see. We've dropped Remexian's cost price by 30 percent to 40 percent. But just given the timing of the situation in Germany with import permits, import permits are still taking eight weeks to get into Germany. This is down from 13 weeks. As soon as this situation gets better, we'll be able to sell even more cannabis. But like I said in my prepared remarks, Remexian's current quarter, our current quarter should be looked at more in line with Q2 than Q1. But if you really want my precise remarks on that, I predict maybe it's going to be somewhere in between. Still very, very good numbers and margins will remain healthy.

Now, the one thing I want to mention about the, I think the second part of the question was the dated inventory that we had struck in Portugal. We had made a brave move, Bill. You remember we had 15 to 17 tons stuck at that time. But we knew a whole country cannot shut down to cannabis forever and businesses cannot collapse. We took that into our stride, and we went ahead with this acquisition.

It's already paid off. You can see the results today. But we are still left with four to five tons still remaining in Portugal. Like the most dated inventory, we got it first. This is less dated, but it's obviously still getting aged. But we're not concerned. We had a blend of that aged material in February. The same thing with March and April. The same thing in May. This is why the tonnage has gone down in Portugal from that original 17 tons to somewhere close to four or five tons. I don't think it materially affects us or affects us at all in terms of really bringing the margins down. I'm pretty comfortable telling you that margins can remain around 25 percent.

Bill Kirk — Analyst, Roth Capital Partners

Perfect, Raj. Thank you. Then for a second question, it looks like Ontario has asked a competitor of yours to relinquish control of its retail operations in the province. How would that change the competitive environment? Would you be interested in any of those locations if they were to become available?

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

Yeah, absolutely, Bill. We've obviously seen the media reports over the weekend. But I think it's too early to speculate how it ultimately all pans out. We've been talking about this for a while that if the whole industry is playing chess and somebody else is playing checkers, how is that fair? The questions have been answered today. It's for everyone to see what the regulator has said.

But look, ValueBuds is a strong competitor. It's a quality store network. Some of those assets, if they were able to become available, we would definitely take a very close look at that opportunity. But we'll apply the same discipline lens that we always have to all acquisitions. But it's definitely something that we are watching very closely, Bill.

Bill Kirk — Analyst, Roth Capital Partners

Thank you, Raj. I'll jump back in the queue.

Operator

Thank you. Your next question is from Derek Lessard from TD. Your line is open.

Derek Lessard — Analyst, TD Cowen

Yeah, good morning, Raj. Congrats to you and the team on a really incredible quarter. I just, basically, if I'm nitpicking here, I'd say probably, I'd point to maybe the modest same store sales weakness. But maybe just help us quantify how much of the same store sales pressure is coming from trade down sold formats or volume versus underlying demand softness?

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

Yeah, absolutely. Hi, Derek. Thank you so much for your question. Look, what we're seeing so far is Q3 is relatively stable compared to Q2. Most importantly, Derek, there's two dynamics at play in terms of our modest same store sales decline, which is 1.2 percent. Remember that over the last five years since the launch of the discount club model, we've absolutely beaten the industry over and gone to 161 percent jump versus the average operator has declined 7 percent.

This is the first time we've gone in the red, although very minorly. But there's a few things at play here. First thing that you mentioned about formats is very, very true. Remember, our core customer, which is I've said this many times, we built our stores to cater to the core customer of cannabis, which is the blue collar worker. That segment has been facing some pressure from the slowing housing market, housing market, and broader trade related in uncertainty between Canada and the U.S., you can look at the auto sector, lumber sector, steel, manufacturing, all are hurting, right? This is our core customers. Customers are trading down from eight to ounce bags, right? There's when they have ounce bags, they have less frequent visits, because they already have an ounce. Now, they don't have the variety of strains, they are contended with one strain. But that's where some of the sales are being traded for sure. We are seeing that for sure.

The second reason I can give you, which is an interesting one is, as we continue expanding our store network, Derek, some of our newer stores are helping us capture a larger share of markets where we already operate. But in a few cases, that can also create some sales transfer from older stores into newer stores that aren't yet included in same store sales base. That is also happening. I have many markets I can give that example for and now we're being a bit more watchful on that side as well. While that can create some pressure reported on same store sales, we're actually continuing to gain overall market share and grow our total sales in those regions.

It's not all bad. It's definitely the formats, it's definitely the less frequent visits, because our core customer is definitely impacted. I will tell you this, we've gathered a lot of intelligence on the private side of things, as you know, we just acquired four stores from Northern Helm, we had their numbers, we had multiple other parties that have shared their numbers with us. Basically, what we see is that the trend is across the board, and we are outperforming everything that I have seen, including one of our publicly traded competitors that have reported and we're outperforming them as well.

Derek Lessard — Analyst, TD Cowen

Right, Raj, and to be clear, yeah, I was, again, I'm just, I was nitpicking. You're right, it's not all bad. Then maybe just to follow up to that, the just on the bricks and mortar margin, just curious on how you're thinking about the sustainability there, just maybe given that slightly softer consumer backdrop at this moment.

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

Yeah, absolutely. Derek, I think our bricks and mortar margins hit 28 percent, which is an eight quarter high made me very, very happy. We've been raising our margins gradually and slowly and still beating sales records, it's not affected our sales. But given the environment that we live in, we have to get a little bit more cautious on gross margins on the brick and mortar side. We're also starting to notice that a ton of competitors in the industry are copying parts of our models, some trying to copy us in our entirety, believe it or not, including our colour schemes, which is hilarious to watch. Some of the very established competitors as well.

I hope you're still on the line, Derek. I just heard some background noise.

Derek Lessard — Analyst, TD Cowen

Yeah, I'm here.

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

Okay, perfect, perfect. But despite all of that, where our sales are going well, Canna Cabana brand is very, very strong. We have opportunities to raise margins to white label and elite initiatives, which others don't, but our store level margins are being copied. We have a lot of competitive pressure, both from legal operators and from illicit operators. For many, it's a survival strategy at this point, given we're winning so much. But we think that there'll be slight pressure on brick-and-mortar gross margins, not too much, but we will adjust it accordingly.

Remember, we're playing this game for the long term. We're going to get to 350 stores. I believe our brick-and-mortar margins in the long term will get to 30 percent, so we'll be much higher than where we are today. But in the short term, we may have to reduce our margins a little bit to compete.

Derek Lessard — Analyst, TD Cowen

Yeah, remember, Raj, that imitation is the sincerest form of flattery that mediocrity can pay to greatness. Good numbers.

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

Well said, Derek. Thank you. Appreciate it.

Operator

Thank you. Your next question is from Ben Stonkus from Haywood. Your line is now open.

Ben Stonkus — Analyst, Haywood Securities

Hey, morning, guys. This is Ben on for Neil. Congrats on the great quarter. Guys, what you're seeing in the U.K., I know last quarter you mentioned the goal of entering through an M&A transaction within the next 12 months and that you're engaging with some of the larger players over there. I'm curious as to whether there's been any progress on that front and how those conversations have been developing.

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

Yeah, good morning, Ben. Thank you so much for your question. Absolutely, the U.K. remains a very important target market for us, and we are actively engaged in discussions with a range of participants in the industry. We're talking to many larger operators, many smaller size, specialized businesses. I'm talking to everyone to understand the lay of the land in the U.K., and I can tell you it's a very, very interesting market for us. Potentially even more interesting than Germany, because in the U.K., you can own the entire chain, including that last mile patient relationship, which we are unable to do in Germany.

As we previously communicated, our objective remains to complete a transaction within the next few quarters. But that said, Ben, we're being very disciplined and selective. We're focused on finding the right partner, the right strategic fit, and a transaction structure that creates meaningful long-term value for Shareholders. We're not going to rush into anything, but conversations are going well.

Ben Stonkus — Analyst, Haywood Securities

That's good to hear, and I appreciate the colour there. Just a follow-up for me is on free cash flow. It came in around $1.5 million in the quarter, and as you touched on in your prepared remarks, most of that was a working capital build from new stores and the Remexian inventory. I just want to see how you're thinking about working capital needs from here and what a normalized free cash flow conversion looks like through this investment phase.

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

Yeah, absolutely. The devil is in the details, Ben, always. Yes, free cash flow was lower sequentially and year-over-year, but we made an additional $4.3 million investment into working capital during this quarter, which is the highest level in years. If you take that out, we would have about $6 million in free cash flow this quarter, but we're growing the Remexian business. We're investing into inventory and in our newly operated stores that take a long time to generate cash, just like all other retail businesses.

Cash flow from operations before working capital reached $8.8 million this quarter, Ben, which was the highest level in seven quarters. Very, very happy with that trajectory. Now, Remexian is outperforming all of our internal expectations as well. We may need to put in more cash as the business grows, but I think we can still remain free cash flow positive as we build our business, although it's going to be lumpy from quarter to quarter.

Ben Stonkus — Analyst, Haywood Securities

Yeah, that's great. Thanks for that. Congrats again on the quarter and I'll hop back in the queue.

Operator

Thank you. Your next question is from Luke Hannan from Canaccord. Your line is now open.

Luke Hannan — Analyst, Canaccord Genuity

Thanks. Good morning and congratulations on the quarter. I want to follow up, Raj, and see if you can just provide a little bit more information on Northern Helm. You provided the revenue and the EBITDA metrics for that business, but can you just give a sense, I mean, how long was this transaction in the works? How long was it in the pipeline for? Then also just historically, I don't know, maybe a two or three year look back on what the financial performance has been, maybe how long those stores have been in market, just more details on Northern Helm.

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

Yeah, sure. Look, we just completed the transaction, Luke. Northern Helm stores have generated $8.5 million in revenue. They're doing very, very good at the revenue level. EBITDA contribution was $1.7 million and we paid 4.5 times. Still highly accretive to our results and we're always watching out for our Shareholders on that side.

The acquisition was more often inbound into us, although we have been reaching out to many operators and seeing if they have interest in selling only in the markets where we don't have a presence yet. You notice that with the Northern Helm acquisition, we entered three new markets in Ontario, which is not going to cause any redundancy issues with our existing portfolio. You can imagine when you have 224 stores across the country and we're still opening up stores in similar markets that can have that effect, although we get to take a larger chunk of that market.

The Northern Helm acquisition was especially good because of that, because it's differentiated markets. It wasn't inbound into us, the operators saw how we've been executing, they wanted our shares, they wanted to take some cash, some shares. It worked out perfectly because they want to get positioned with the largest retailer in the country and we are starting to see more and more momentum on that side. Although seller expectations out there can still be drastically different with people expecting that they can still get eight to ten times, when we're not trading more than six times, I don't understand how that is possible and why other buyers would pay such multiples. We don't do that. We're very disciplined. I think you'll see more of similar types of these acquisitions from us in the coming quarters.

Luke Hannan — Analyst, Canaccord Genuity

That's great colour. Thanks for that. Maybe I'll ask a question just more broadly on M&A. Forgive me if you touched on this, I may have missed it, but you have a lot on your plate when it comes to an M&A perspective. You have options in Europe, it sounds like now, and not just the U.K., but the Europe a little bit more broadly, and then also in Canada, the market's a little bit stronger. You've talked about exploring optionality in the U.S. Can you rank order your preference as part of all this?

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

The preference is always home turf. I've always said, never lose track of the home turf. We must win domestically to become successful internationally. There's no such thing that you jump the gun, and you start buying things all over the place, and then you can't control them. The reason we bought Remexian was we put two and two together and we're so strong domestically. We have the strongest licensed producer relationships here. No one does have the same level in Germany. We can truly make the one plus one equal to three in that regard, and we've done that.

We're looking for exactly that type of M&A. It has to be accretive to our results. It has to be a great strategic fit in terms of what we're doing. Given our astounding success in Germany, we're definitely very interested in entering the U.K. market. I think you'll see even more momentum from us in Germany. We are now eyeing 20 percent market share in that country, which we feel is within reach in the long term. U.K. lets us own that last mile patient relationships on top of the wholesale distribution network that we'll set up.

U.K. is a very interesting market for us. Domestic M&A will continue, but I can tell you I'm also speaking to counterparties of various sizes in the U.S. We're also looking at medical opportunities where we don't have to sacrifice our NASDAQ listing and we can own medically operated stores in medically legal states, but that's not a priority for me. U.S. is a fantastic market. It's the market where I dream to play in one day, but we're not in any kind of hurry.

We keep on winning in Canada. The goal is to get to 350 stores. We're only at 228. The goal is to win in Europe. We are the number one player in Canada, the number one player in Germany. We absolutely want to be the number one in all of the European markets where we enter. We're not going to sacrifice our entry into the U.S just for the sake of it. We'll take our time. The priority sequence will be to continue doing M&A in Canada, continue doing M&A in larger European markets, mainly U.K., Poland, and let's see how other markets develop there. We've got a ton on our plate when it comes to M&A.

Luke Hannan — Analyst, Canaccord Genuity

Great. Maybe just following up on that last piece. In the outlook in the press release for this quarter, the final sentence is about you intending to expand into additional European markets. If we go back one quarter ago, that outlook was more specific to the U.K. What has changed from last quarter to this quarter from looking at M&A in Europe?

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

Great question, Luke. I'll tell you this. The market that interests me the most at this point is U.K., 100 percent. We're very keenly looking at the U.K. market. We've had a couple of inbounds with my travels to Europe on ICBC and Cannabis Europa. We had a couple of inbounds from two interesting markets that came to us where operators want to partner up with us. Again, I have to be very disciplined. We get these kinds of offers all the time, but our execution is being noticed, what we're doing in Germany, and everybody wants to get a piece of our supplier relationships here in Canada.

There are two interesting markets that have popped up that want to partner up with us. Operators want to partner up with us, but we have to be disciplined in our approach. We're still evaluating those markets, but I believe my interest still keenly lies in the U.K. at the moment.

Luke Hannan — Analyst, Canaccord Genuity

Got it. Thanks. Last one for me and then I'll pass the line. Just circling back to the Canadian same-store sales performance, can you break out whether or not there was a lot of change throughout the quarter? In other words, did it weaken or strengthen at all as you moved from the earlier part of the quarter to the latter? Secondly, I wanted to follow up with the commentary that you had mentioned. Q3 is stable. Is that relative to Q2, so still down roughly a point and change, or are you saying it's relatively flat year-on-year?

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

It's exactly how Q2 was, about a point and change that we're seeing in Q3. The entire quarter was kind of like that. Luke, as you know, not just the headlines, just look around and you'll see, like I mentioned, auto sector, lumber, steel, manufacturing, these are all our core customers. The blue-collar worker, that's 70 percent of our business. As these things course correct, we will get stronger. People are not leaving us; they're just buying different formats in this high inflationary environment.

Oil prices are still very, very high and it's going to take some time for them to come down and it's going to take some time for our government to course correct with everything that's happening between Canada and U.S. But I think this is very, very temporary. Our core case, what Canna Cabana means to our customers, we keep on winning. Our brand is performing 50 percent better than the next closest competitor.

We're winning on all fronts. This is a matter of time. Business never goes in straight line, only up. It goes up and it goes down. In our case, it only goes slightly down. You can see where record-breaking numbers have been produced. We've been beating analyst consensus throughout across the board. We've got holding power. I can't say the same thing about our competitors, our privately held competitors and publicly traded competitors. They don't have Remexian. They don't have the volumes that we have with our suppliers. They don't have the discount club. They don't have the largest cannabis loyalty program globally. We've got so many advantages here. I am not worried at all.

Luke Hannan — Analyst, Canaccord Genuity

Got it. Thanks. I'll pass the line.

Operator

Thank you. Once again, that is store one, should you wish to ask a question. Your next question is from Brenna Cunnington from ATB. Your line is open.

Brenna Cunnington — Analyst, ATB Capital Markets

Hey, all. This is Brenna for Fred. Thanks for taking our questions and congrats on the quarter. Just starting off with the potential expansion of Ontario's retail cap. How likely do you think this is to happen based on the conversations that you're having and the things that you're hearing and how positive could it be for the long term growth prospects? A couple of add on considerations of that would be like we know that high target 350 stores longer term. If this were to materialize, how could this affect your longer term targets? Then also just curious about B.C. and if you see the cap potentially expanding there as well.

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

Sure. Good morning, Brennan. Thank you so much for your question. Yes, we are hearing that the government may consider to raise the cap from 150 stores in Ontario to 300 stores. Obviously, that would again mean an exponential opportunity for High Tide. Our stores do $2.7 million as an average unit revenue in Ontario versus $1.1 million, which is peer revenue there. That would be a dream come true.

But I know that there's a lot of noise from competitors. In fact, rightfully so. The independent competitors are feeling that the change will have a lot more power and they've they're lobbying very hard against it. I kind of understand that narrative, but we'll see how everything evolves there. If that happens, we are absolutely going to increase our long term cap to over 500 stores because Ontario alone will give us another 150 stores.

Canadian opportunity, we've said in the long term, Canada will generate over a billion dollars in revenue for us. We think that number could get to $1.3 billion, $1.4 billion if this happens, maybe even higher. It's all a blue sky scenario from here. But if it does not happen, we're still looking very, very good. We can generate over a billion dollars in revenue in Canada.

On the B.C. store cap front. We came pretty close two years ago from the cap increase from increasing from eight to 16. It didn't happen again. The independents were against it. They were fearful that the change would come in. But look at the result of what that's done to that province. B.C. has some of the highest illicit rates in the country after Quebec or very similar to Quebec, over 45 percent, 50 percent in comparison, Alberta sitting at under 20 percent. Right. It's a very forward looking province so I think at some point B.C. will increase the store cap.

There are conversations that are taking place. They may be slow to do it, which is increase it in time over 12 months to 16 stores and then maybe raise it higher again. But they definitely have to do something about it because the illicit market is thriving in British Columbia. That should not be the case seven years after or eight years after legalization.

Brenna Cunnington — Analyst, ATB Capital Markets

Okay, understood. As someone who's actually born and bred in the West Coast, that illicit number does not surprise me. Then just looping back to Remexian, looking at the margins around 23 percent, which is definitely above what you expected. You mentioned roughly 25 percent from the segment expected going forward. We are hearing about pricing question in Germany. Just wanted to dive a little bit deeper into this. Just how should we be thinking about these dynamics? Is the move to value products in Germany benefiting Remexian because of the segments that you're playing in? Over time, do you think that mid-20s is still sustainable?

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

Yeah, absolutely. Look, when we acquired the business, we said that long term we intend to do mid-20s gross margins in Remexian. That day has already arrived, and I couldn't be more excited. We're definitely 90 days ahead of our own expectations. I like to under-promise, over-deliver, and it's happened in this case again. When given the relationships we have with the Canadian licensed producers, the biggest differentiator has been not only have we strengthened and diversified our supply chain and also receiving directly into Germany so we can receive more tonnage and receive it quickly, which is again very different from what was happening there prior.

We've also been able to reduce cost in terms of procurement from Canada by 30 percent to 40 percent. While the actual market is, there's a lot of price compression taking place in Germany, you're absolutely right. It's not affecting Remexian, it's affecting all of our other competitors that don't have the same strengthened relationships and supply chain. We feel we'll continue to benefit from this.

I cannot tell you how many inbound opportunities I'm getting from producers that want to work with us directly. We've just launched seven exclusive brands in Mary Jane, which we'll share with the market in more detail, I believe, tomorrow. Canadian brands, we have exclusivity agreements with all these top-tier brands, and more and more are signing up every single day. I believe with the market price compression becoming more and more real and taking place, Remexian is nicely shielded because of these very strong relationships that we have in Canada.

Brenna Cunnington — Analyst, ATB Capital Markets

Okay, perfect. That's great colour. I'll jump back in the queue. Thank you.

Operator

Thank you. There are no further questions at this time. Please proceed with the 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've achieved this quarter and remain excited about the road ahead.

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

Operator

Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may now disconnect your lines.