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Zacks Small-Cap Research

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High Tide Inc. (NASDAQ: HITI)

HITI: High Tide hosts an informative Q&A session on a prominent social media platform that provided important updates on the overall business.

Utilizing a Discounted Cash Flow process containing conservative estimates combined with other valuation methodologies, we believe HITI could be worth **US$5.00** per share.

Current Price (7/21/26)	US$2.21
Valuation	**US$5.00**

OUTLOOK

High Tide is the largest cannabis retailer in Canada operating 228 stores across Alberta, Ontario, Saskatchewan, BC, and Manitoba. Beyond traditional physical cannabis stores in Canada (*Canna Cabana*), the company markets Cannabidiol (CBD) and consumption accessories online across Canada, U.S., U.K. and Europe. More recently, HITI closed the acquisition of a 51% ownership stake in Remexian Pharma GmbH, a leading low-cost medical cannabis importer and wholesaler in Germany, which is a high-growth market. The outlook is for strong revenue growth going forward, both organically and through acquisitions.

SUMMARY DATA

52-Week High	**$4.06**
52-Week Low	**$2.09**
One-Year Return (%)	**-10.0**
Beta	**1.05**
Average Daily Volume (sh)	**610,642**
Shares Outstanding (mil)	**87.9**
Market Capitalization ($mil)	**$183**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**14**
Insider Ownership (%)	**12**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**43.4**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2026 Estimate	**N/A**
P/E using 2027 Estimate	**14.4**

Risk Level	**Above Average**
Type of Stock	**Small Growth**
Industry	**Medical Products**

ZACKS ESTIMATES

Revenue
(in millions of C$)

	Q1 (Jan)	**Q2** (Apr)	**Q3** (Jul)	**Q4** (Oct)	**Year** (Oct)
2024	$96 A	$91 A	$95 A	$99 A	$376 A
2025	$98 A	$100 A	$108 A	$117 A	$423 A
2026	$178 A	$179 A	$184 E	$187 E	$730 E
2027					$790 E

EPS / Loss Per Share

	Q1 (Jan)	**Q2** (Apr)	**Q3** (Jul)	**Q4** (Oct)	**Year** (Oct)
2024	-$0.00 A	$0.00 A	$0.01 A	-$0.01 A	$0.00 A
2025	-$0.02 A	-$0.03 A	$0.01 A	-$0.39 A	-$0.45 A
2026	$0.01 A	$0.00 A	$0.01 E	$0.02 E	$0.04 E
2027					$0.16 E

Quarterly revenues/EPS may not equal annual revenues/EPS due to rounding or non-controlling interest.

WHAT'S NEW

Source hightideinc.com

Ask Me Anything Reddit Session

On July 15, High Tide hosted an Ask Me Anything (AMA) open forum on Reddit. An AMA is an interactive, crowdsourced Q&A session where a host such as experts or business leaders invites the Reddit community to ask them questions in real-time. This was the 5th AMA that the company has been involved in.

The forum was very detailed and lengthy and covered substantially all aspects of the company's business operations. An important comment by management was that June same-store sales turned **positive** after declining (1.2%) in the 2nd quarter ending April 30, 2026. We believe this momentum will continue and it's possible same-store sales could remain positive in July.

Our key takeaways from the AMA include:

- High Tide's takeover protections are designed to maximize value and not to prevent acquisitions. The shareholder rights plan helps prevent coercive or undervalued bids while preserving regulatory compliance, but the board would still evaluate any realistic offer that maximizes shareholder value.

- Europe is the company's highest priority growth opportunity. Management continues to focus on Germany first, with the UK viewed as the next major expansion market, while the U.S. remains a longer-term opportunity.

- The U.S. expansion strategy is intentionally patient and capital disciplined. Rather than pursuing expensive acquisitions or issuing significant equity, High Tide intends to wait until regulations become more favorable before entering through the most attractive structure.

- Remexian is outperforming expectations. German market share has more than doubled, gross margins improved from roughly 12% to 27% as procurement efficiencies took hold, and management believes 25-30% margins are sustainable over time.

- Germany's evolving regulations are not viewed as a major long-term risk. Management believes approximately 90% of patients already pay out of pocket, limiting the impact of reimbursement changes while positioning Remexian to benefit from value-oriented demand.

- Management believes sustainable GAAP profitability has now been achieved. Positive net income is expected to continue despite occasional quarterly volatility caused by non-cash accounting items such as derivative liability revaluations.

- Free cash flow is considered the company's most important financial metric. The CEO repeatedly emphasized free cash flow generation and free cash flow per share over GAAP earnings or Adjusted EBITDA because they better reflect the underlying economics of the business.

- Gross margins are expected to continue expanding beyond 30%. Margin improvement is expected to come from operating leverage, procurement scale, ELITE memberships, and white-label products. But not by raising prices to customers.

- White-label brands remain one of High Tide's largest long-term margin opportunities. Although penetration is still only about 1.7% of sales, management continues targeting roughly 20% over time through disciplined product launches.

- Queen of Bud has become a highly successful acquisition. The brand achieved an initial one-year payback, with recent sales accelerating enough to reduce the effective payback period to approximately six months.

- The Cabana Club ecosystem is viewed as High Tide's strongest competitive advantage. With more than 2.7 million members, proprietary customer data, loyalty, and execution provide a competitive moat that management believes competitors have struggled to replicate.

- Same-store sales weakness appears temporary rather than structural. After posting its first negative comparable-sales quarter since Cabana Club launched, June sales returned to positive growth, with management attributing the past weakness largely to macroeconomic pressures. Based on recent trends, we believe July could show positive same-store sales as well.

- The store expansion plan prioritizes long-term returns over speed. High Tide is willing to walk away from overpriced leases, accept longer permitting timelines, and selectively tolerate store cannibalization when it strengthens the overall retail network or blocks competitors from premium locations.

- Capital allocation remains highly disciplined. Management emphasized there have been no ATM equity issuances in six quarters and no equity financings in four years, preferring internally funded growth whenever possible.

- Share buybacks remain part of the long-term capital allocation plan. The CEO indicated he would like to pursue an aggressive NCIB in the future once reinvesting in growth no longer offers superior returns.

- Balance sheet flexibility continues to improve. The expected $40 million BMO credit facility demonstrates increasing access to traditional bank financing which is a notable milestone for a cannabis retailer.

- Management is willing to monetize non-core assets when appropriate. U.S. e-commerce businesses remain under strategic review, and the company would consider selling or partnering if it receives an attractive valuation.

- Executive incentives are closely aligned with shareholders. Executive compensation is determined by an independent board committee, and management stated they have sold only minimal shares for tax purposes while increasing their ownership since the IPO.

- Related-party transactions are governed by independent oversight. Management stated the warehouse lease was independently valued, fully disclosed, has not experienced rent increases since inception, and remains economically justified relative to its operational role.

- Management's overarching philosophy is disciplined, long-term value creation. Throughout the AMA, CEO Raj Grover consistently emphasized intrinsic value growth, prudent capital allocation, market share expansion, profitability, and execution over short-term stock price movements or meeting quarterly market expectations.

The entire AMA transcript can be found **here**.

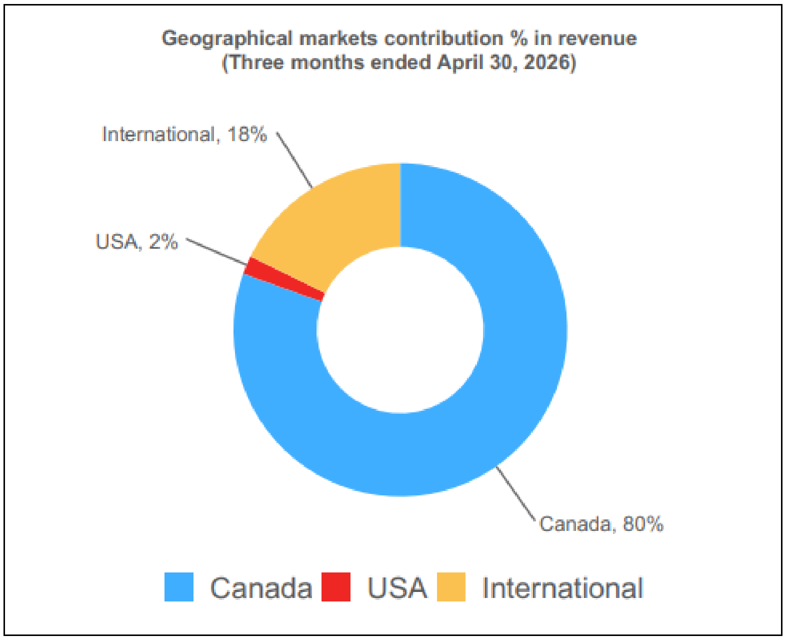
OTHER RECENT NEWS

2nd Quarter 2026 Financial Results (C$)

On June 15, 2026, High Tide reported 2nd fiscal quarter financial results for the period ending April 30, 2026. The results were very strong with revenues and margins above our expectations.

Revenues increased 30% to $179.3 million for the quarter compared to $137.8 million during the same period last year. Revenue was up 1% sequentially during the quarter despite the 2nd quarter being seasonally slowest and having three fewer days. This was the fourth consecutive quarter marking a new all-time high in revenue. 96.8% of the revenue was derived from cannabis or hemp-derived products with the remaining 3.2% from consumption accessories.

Same-store sales declined (1.2%) in the retail operations as the cannabis industry in Canada continues to face a slowdown. Middle class consumers have been feeling economic pressures due to tariffs, inflation, household debt and other economic factors. Nonetheless, the company has been significantly outperforming industry averages and main competitors. We estimate same-store sales decline in the Canadian cannabis retail market is in the (3.0%-4.0%) range.



Source hightideinc.com

Gross margin for the quarter increased to 27.0%, compared with 26.0% in the same period last year and 25.0% in the 1st fiscal quarter of 2026. This was the company's highest consolidated gross margin in the past 8 quarters. In the medical cannabis distribution segment (Germany), gross margin reached 27.0% during the quarter which was more than double from 12.0% in the first fiscal quarter.

Adjusted EBITDA was a record of $13.9 million (*7.8% margin*) in the 2nd quarter. This was up approximately 73% compared to the prior year period and up 21% sequentially despite there being 3 fewer days in the quarter.

During the 2nd fiscal quarter, earnings per diluted share were $0.01 when adjusted for changes in non-cash derivative liability, which was an improvement from ($0.04) a year ago and ($0.02) sequentially.

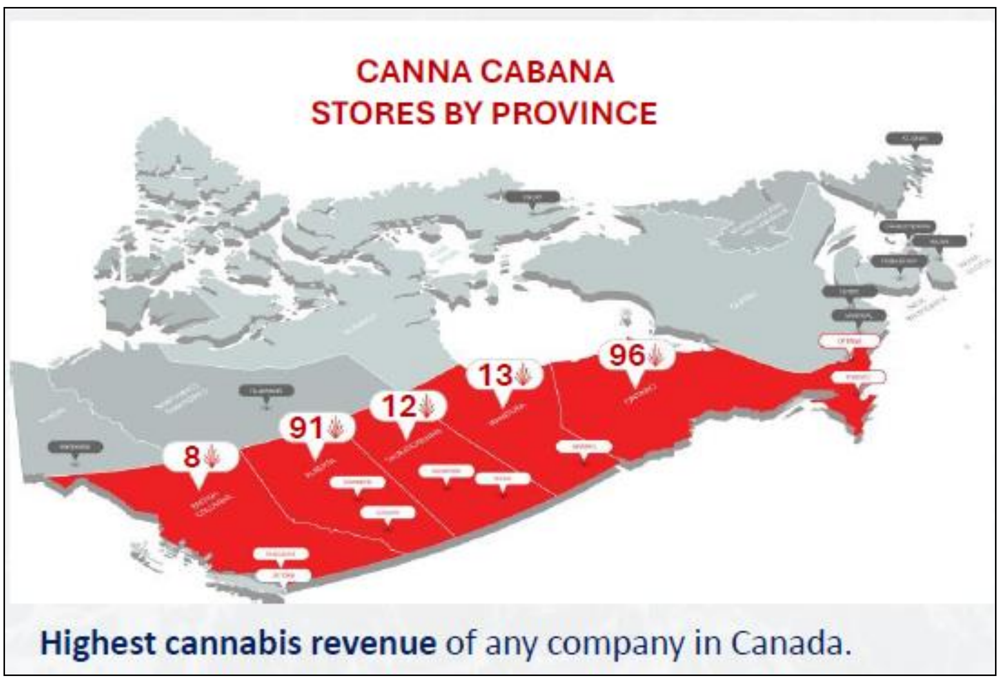
High Tide generated $1.5 million in free cash flow during the quarter, which was below the $4.9 million generated in the prior year period. This was primarily due to working capital investments to grow the business which was tied to inventory purchases in the Germany business as well as new store openings in Canada. During the past 4 quarters, the company has generated $13.4 million in free cash flow.

Cash balances (including restricted cash) remained strong and totaled $36.5 million as of April 30, 2026. Total debt balances were $32.9 million and there was also convertible debt totaling $30.0 million (C$4.20 conversion price but only upon mutual agreement between both parties). Current assets were $131.4 million and current liabilities were $89.9 million providing positive working capital of $41.4 million.

CEO Raj Grover stated, *"Our second quarter results highlight the strength of High Tide's diversified growth strategy and our ability to execute at a high level across multiple geographies. Through the continued integration of Remexian, we have expanded our supply chain capabilities, eliminated unnecessary intermediaries, and are procuring biomass at materially lower costs than Remexian could on its own, enabling us to achieve key operational and financial objectives approximately 90 days ahead of our internal expectations."*

Segment & Operational Review

Retail - Canadian Cabana Club membership surpassed 2.65 million, up 39% year over year, which was the fastest growth in ten quarters and remains the largest cannabis loyalty program globally. Canadian ELITE membership exceeded 178,000, up 84% year over year. The ELITE program is a paid subscription model ($30-$60 annually) that offers better discounts and more features than the traditional Cabana Club membership (free). The company’s long-term goal is to convert 50% of its base program to the ELITE status. The ELITE program provides a steady stream of high-margin recurring revenues for High Tide.

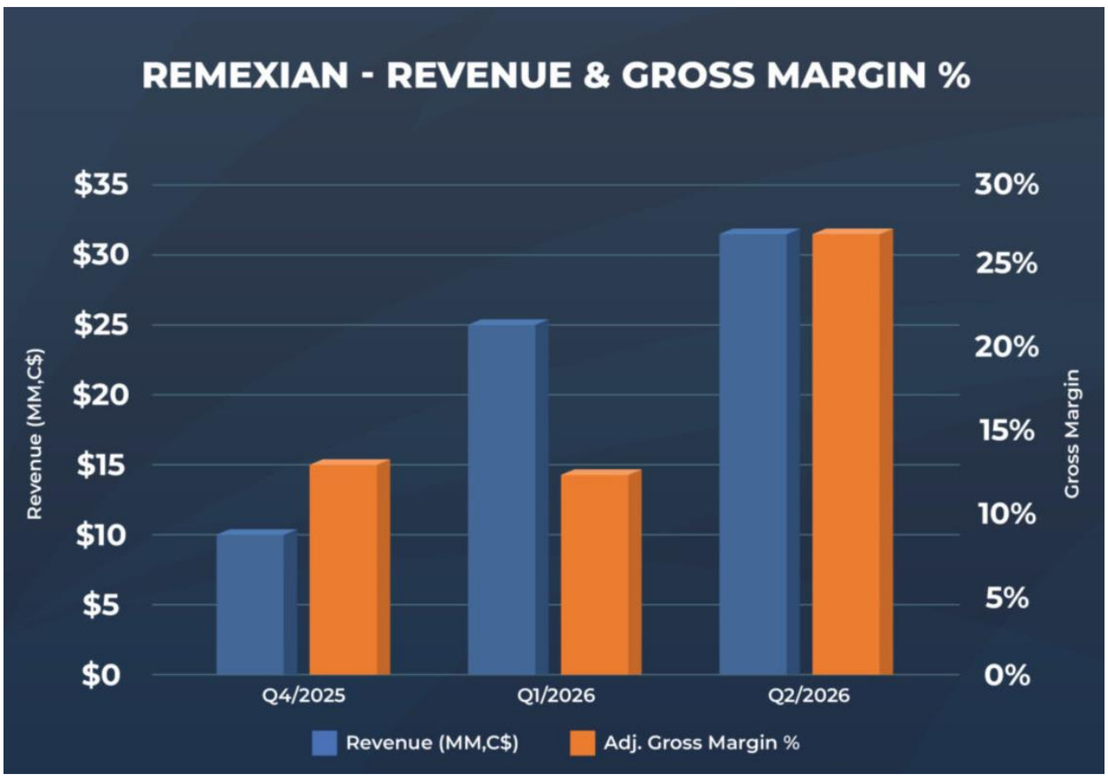


Source hightideinc.com

Canna Cabana average store revenue was approximately 1.9 times that of its peers. Since introducing its discount club model in October 2021, Canna Cabana's same-store sales have increased 161%, compared with an estimated 7% decline for the average cannabis retailer. The company maintained a 12% national market share, and when excluding British Columbia,where retailers are limited to 8 stores, its market share increased to 14% from 13% a year earlier.

Over the 12 months ending March 2026, Canna Cabana grew total sales by 13% which greatly exceeds the estimated 3% growth rate of the overall cannabis market in the provinces where it operates. Operational efficiency also improved, with inventory shrinkage declining to 0.2% from 0.3% in both the prior period and the year-ago period. Store productivity remained strong with annualized sales of approximately $1,620 per square foot for mature locations. Management noted that this productivity level continues to compare favorably with many leading international retailers.

Medical Cannabis (Germany) – In the 2nd fiscal quarter, Remexian achieved record quarterly performance in Germany, distributing 7.6 tonnes of medical cannabis which was up 49% year-over-year and 21% sequentially. The business generated record revenue of $31.6 million (versus $25.0 million in Q1) and a gross margin of 27%, more than double the prior quarter's 12%. The company's German market share by tonnage climbed to over 14% for the three month period ending March 2026 which continued a solid upward trend from 6.5% in September 2025 and 10.3% in December 2025. We believe this business is on track to obtain a 20% market share over the next 2-3 quarters. This will be driven by its strong Canadian supply relationships and the continued growth in the medical cannabis sector in Germany. Management has also indicated it intends to expand into additional European markets over the coming quarters.



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New Bank Financing

On June 15, 2026, the company announced it had obtained a loan agreement with Bank of Montreal regarding new senior secured credit facilities in the principal amount of C$40 million. The loan agreement consists of two committed facilities:

- A C$25 million revolving facility with a three-year maturity, to be used to refinance the company's loan with connectFirst, for general working capital and corporate requirements, and for acquisitions and investments. The balance owing to connectFirst is expected to be slightly over C$6 million at closing, resulting in almost C$19 million of available room on the revolving facility.

- A C$15 million committed delayed draw term loan to be used to refinance the company's existing C$15 million second-lien debentures.

Northern Helm Acquisition

Subsequent to the end of the 2nd quarter on June 15, 2026, the company announced an agreement to acquire 100% of J. Supply Holdings Inc., which operates as Northern Helm. This acquisition involves acquiring four of the six retail cannabis stores currently operated by Northern Helm in Ontario for a transaction value of C$7.74 million

Transaction considerations include approximately C$3.2 million in assumed debt with a 2% interest rate, with 40% of the remaining amount paid in cash, (approximately C$1.83M), and the remaining 60% (approximately C$2.75M) paid in common shares of High Tide. The purchase price represents 4.5x the annualized Adjusted EBITDA of the stores for the three months ended March 31, 2026.

- The company generated $1.5 million in free cash flow during the quarter. Over the past 12 months, the company has generated $13.4 million in free cash flow

- Canadian Cabana Club members now exceed 2.65 million, up 39% year over year. ELITE Members in Canada have surpassed 178,000, up 84% year over year

- High Tide remains the highest revenue generating cannabis company reporting in Canadian dollars and continues to hold a leading 12% share of the cannabis retail market across the five provinces in which the company has a presence.

- In the 2nd fiscal quarter, Remexian achieved record quarterly performance in Germany, distributing 7.6 tonnes of medical cannabis which was up 49% year-over-year and 21% sequentially. Gross margins improved to 27.0% in the quarter.

The company provided a summary and outlook for the total business in its 2nd quarter press release:

Bricks-and-Mortar Retail: Canna Cabana is the largest cannabis retail chain in Canada with 228 locations (including the recent announced acquisition of 4 new stores). The company reiterated its long-term goal of surpassing 350 locations nationwide and opening 20-30 locations in calendar 2026, mostly through organic growth, while also evaluating M&A opportunities of varying sizes.

White Label Initiatives: The company continues to expand its white label cannabis product portfolio under its flagship Queen of Bud and Cabana Cannabis brands, reaching 41 SKUs across the Canna Cabana store network as of the end of Q2. The company is also developing several new offerings to further increase its white label portfolio. Currently, white label cannabis SKUs represent approximately 1.7% of total bricks-and-mortar cannabis sales. Over the long term, the company anticipates significant growth with these initiatives and expects sales of its higher-margin white label brands to reach approximately 20% of total sales over time.

Cabana Club & ELITE: The company's Cabana Club and ELITE loyalty programs remain the largest cannabis loyalty programs in the world and continue to expand at a rapid pace across Canada. Cabana Club membership has now surpassed 2.65 million members in Canada, which is up 39% in the past year. Over the long term the company anticipates exceeding 3 million Cabana Club members in Canada. ELITE, the paid membership tier now exceeds 178,000 members in Canada. The company's long term goal is to convert at least 50% of its base tier members into ELITE.

United States: The company remains confident in the long-term prospects of its U.S. hemp-derived CBD platforms, supported by an evolving federal policy landscape. As founding members of the U.S. National Compassionate Care Council, High Tide and NuLeaf Naturals are actively engaged in shaping federal and state medical cannabis policy and expanding patient access to cannabinoid therapies. Federal reform has accelerated meaningfully. On April 23, 2026, the DOJ and DEA moved marijuana products and state-licensed medical marijuana from Schedule I to Schedule III and a new DEA administrative hearing is scheduled for June 29, 2026 to consider a broader rescheduling. The company has initiated outreach to both Nasdaq and the TSX Venture Exchange to assess the potential impact on their listing policies, while continuing to engage multiple U.S. counterparties to explore emerging opportunities.

Europe: Remexian continued to gain share of the German medical cannabis market during the second fiscal quarter of 2026, reaching 14% in the quarter up from 10.3% for the three months ended December 2025. It appears the company is well positioned to grow its share of the German medical cannabis market in the quarters ahead, supported by its unmatched Canadian supply relationships and the continued growth in the medical cannabis sector in Germany. The company intends to expand into additional European markets over the coming quarters.

VALUATION & ESTIMATES

We are maintaining our DCF derived price target of **US$5.00** per share which still represents meaningful upside from current price levels. While many cannabis stocks do tend to move together in response to major industry-wide catalysts (such as rescheduling), we believe there can be major divergence in specific companies based on specific fundamentals. High Tide is likely one of those positive outliers due to a potential recovery of Canadian same store sales growth to normal levels, successful new store openings, continued margin improvement, and a successful expansion into European markets.

We also look at peer multiples to provide a secondary valuation methodology. Although it's difficult to find exact comparisons due to a variety of business models, country location, and financial data – we believe a set of cannabis related stocks are trading at an EV/EBITDA ratio of approximately 9.0x. With HITI trading at only approximately 5.7x EBITDA, there appears to be material upside. HITI stock would have to reach approximately **US$3.40** per share to match its peer valuation, many of which do not have the strong growth profile and competitive advantages that High Tide does.

Another competitor comparison is Charlottes Web (OTCQB: CWBHF) which has performed very well since the executive order from the White House on 12/18/25 that opened the door to a pilot program where seniors could get up to US$500 a year of CBD covered under Medicare. High Tide owns NuLeaf and FAB CBD products, which compete with Charlotte's Web so the company is not getting credit for that potentially large opportunity.

In addition, Canadian based Organigram Global recently acquired Germany based Sanity Group, a competitor to Remexian. The Sanity Group acquisition is roughly the same size as High Tide's purchase of Remexian in terms of revenue (Remexian is more profitable), but Organigram is paying substantially higher multiples than High Tide did (believed to be over 12x). This demonstrates High Tide's European business is truly an undervalued and unrecognized asset.

<u>Estimates</u>

We adjust our estimates based on management comments and industry conditions. Our updated model calls for EPS of $0.04 in fiscal 2026. Our fiscal year 2027 EPS estimate is now $0.16.

We expect consistent double-digit revenue growth over the next 2-3 years with revenues exceeding $700 million in F2027. This reflects continued organic growth (rising same-store sales and ongoing market share gains), a broader retail store footprint (store count likely approaching 300), and accelerating

Remexian contributions, particularly as supply chain disruptions in Portugal continue to normalize and the company's distribution footprint expands beyond Germany.

We expect Adjusted EBITDA, which excludes transaction costs, other non-recurring items, and stock-based compensation expenses, to be approximately $54.7 million in F2026 and expand to $63.9 million in F2027. This growth in 2026 and 2027 is driven by a step up in gross margins following the sell-through of older/lower-priced product, rising economies of scale, higher levels of white label products, and ongoing expense management & resource optimization strategies. Management has stated the company's long-term EBITDA margin goal is 12.0% for HITI's bricks-and-mortar business segment (9.4% in F4Q25).

KEY INVESTMENT POINTS

High Tide is the largest cannabis retailer in Canada operating 228 stores across Alberta, Ontario, Saskatchewan, British Columbia, and Manitoba. Beyond traditional bricks-and-mortar cannabis stores in Canada (branded Canna Cabana), the company markets Cannabidiol (CBD) and consumption accessories online across Canada, the U.S., the United Kingdom, and Europe. More recently, HITI closed the acquisition of a 51% ownership stake in Remexian Pharma GmbH, a leading low-cost medical cannabis importer/wholesaler in Germany, one of the highest-growth markets in the world, with much of the demand satisfied through imported cannabis from Canada.

Our investment thesis revolves around:

- We expect a continued favorable regulatory landscape in Canada. The Cannabis Act and the Cannabis Regulations in 2018 allow for and govern the cultivation/production, processing, retail sale, and distribution of cannabis for both medical and recreational use across Canada. Following the legalization of recreational-use cannabis, Canada has grown into a C$5.5 billion market, with a majority of sales coming from the five provinces in which High Tide has operations.

  While HITI's brick-and-mortar cannabis sales remain confined to Canada at present, we expect management to increasingly turn its sights to the U.S. in light of a more favorable regulatory backdrop. As uncertainty around rescheduling probabilities, implications, and timelines fade, we look for cannabis stocks to benefit from enhanced liquidity, rising institutional shareholder ownership profiles, and powerful upward revaluations over time.

- We believe there are plenty of growth levers the company can engage in. We expect a powerful step up in HITI's earnings power reflecting the recent majority equity investment in Remexian in Germany, in addition to a number of compelling growth catalysts including:
  a) strong/sustained Same-Store Sales (SSS) growth;
  b) ongoing retail store expansion, with management reiterating the company's goal of adding 20-30 new stores per year;
  c) further step ups in the number of Cabana Club/ELITE loyalty program memberships;
  d) market share continuing to roll up to diversified/scale-enabled players; and
  e) increasingly leveraging white labeling opportunities to further build out the house-branded product portfolio. Currently, this is less than 2.0% of total sales, but the company's target is for these products to represent 20% of sales. Gross margins on this product portfolio are typically 5%-7% higher than the legacy product set.

- High Tide has emerged as a global player in the industry. HITI recently closed the acquisition of a 51% ownership stake in Remexian Pharma GmbH, a leading low-cost medical cannabis importer/wholesaler in Germany. Germany remains amongst the highest-growth markets in the world, particularly following the enactment of the Consumer Cannabis Act in April 2024, which legalized cannabis for home possession and cultivation. A key rationale for the transaction was the powerful opportunity to increasingly leverage HITI's procurement expertise and LP network/relationships in Canada to drive accelerating imports/sales in Germany. As such, we see substantial potential for related revenue and EBITDA growth, as HITI increasingly pushes Canadian-supplied cannabis (sourced at lower prices) through Remexian's broad distribution network in Germany.

- We project a favorable inflection in net income in fiscal year 2027 (October 2027), with further growth expected in fiscal year 2028 and beyond as the business continues to scale. Key modeling inputs include accelerating revenue growth reflecting continued organic growth, a broader retail store footprint, and accelerating Remexian contributions, combined with rising margins on the back of building economies of scale, ongoing expense management/resource optimization, and accelerating growth across higher-margin initiatives.

- High Tide's strong balance sheet remains a key differentiating factor relative to most other U.S. based cannabis operators that typically struggle to source capital to fund growth due to regulatory restrictions, and highly dilutive financings are often the only course of action. The company maintains ample liquidity and steady free cash flow to fund organic growth initiatives and capitalize on accelerating consolidation trends across the industry should the right opportunities arise. High Tide's debt profile remains generally favorable, with long-dated maturities (mostly 2028). The debt to EBITDA ratio is 1.7x based on net debt as of 4/30/26 and 2nd quarter annualized attributed EBITDA. This demonstrates the company has ample debt capacity to fund its growth plans if necessary.

- The company's objectives when managing capital resources are to:
  (i) Explore profitable growth opportunities;
  (ii) Deploy capital to provide an appropriate return on investment for shareholders;
  (iii) Maintain financial flexibility to preserve the ability to meet financial obligations; and
  (iv) Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

Source hightideinc.com

INVESTMENT RISKS

- Regulatory uncertainty: While the distribution and sale of medical and adult-use cannabis, cannabis products, and cannabis accessories is permitted at the Federal level in Canada via legally mandated licenses under the Cannabis Act of 2018, High Tide's business operations along with the company's domestic expansion efforts could be meaningfully impacted by adverse regulatory changes. Also, the company must adhere to inconsistent laws and regulations governing the sale and distribution of cannabis products across the five provinces in which HITI maintains retail locations. Any initiatives to enter the U.S. market would require considerable time, resources, and infrastructure to conform related operations to the shifting regulatory framework.

- Rising competition: The cannabis industry remains highly fragmented, with over 3,600 licensed recreational cannabis retail stores across Canada (along with the unregulated illicit market). As such, competition remains fierce, with market shares rolling up to companies that can increasingly leverage high-quality supply, diversified/innovative product sets, broader retail distribution, more cost-effective marketing initiatives, and improving operational efficiencies. While HITI remains amongst the largest cannabis retailers across the provinces in which the company operates, select competitors, particularly scale-enabled, vertically integrated operators and government wholesalers, may be able to leverage greater financial resources, broader customer relationships, and/or longer operating histories.

- Wholesale pricing volatility: One of the byproducts of rising competition and oversupply has been pricing pressure, with the price of cannabis directly impacting HITI's revenues, gross profits, and earnings. Furthermore, wholesale pricing remains highly influenced by cultivation conditions, inflationary pressures, the macroeconomic backdrop, shifting demand trends, and/or regulatory changes, with any disruptions in the supply chain likely impairing HITI's economics. That said, wholesale pricing trends in Canada have stabilized more recently, and as a low-cost retailer, HITI is less dependent on pricing to drive revenue growth.

- Reliance on Licensed Producers/government wholesalers: HITI sales remain dependent on sourcing high-quality cannabis and related products from LPs in a cost-effective manner via government wholesalers. Moreover, proficient supply chain management involves promptly meeting shifting demand trends to minimize related carrying costs. As such, any material disruptions in the cultivation of cannabis products and/or related economics for LPs (including rising costs or less favorable contract terms) could have an adverse effect on HITI's business.

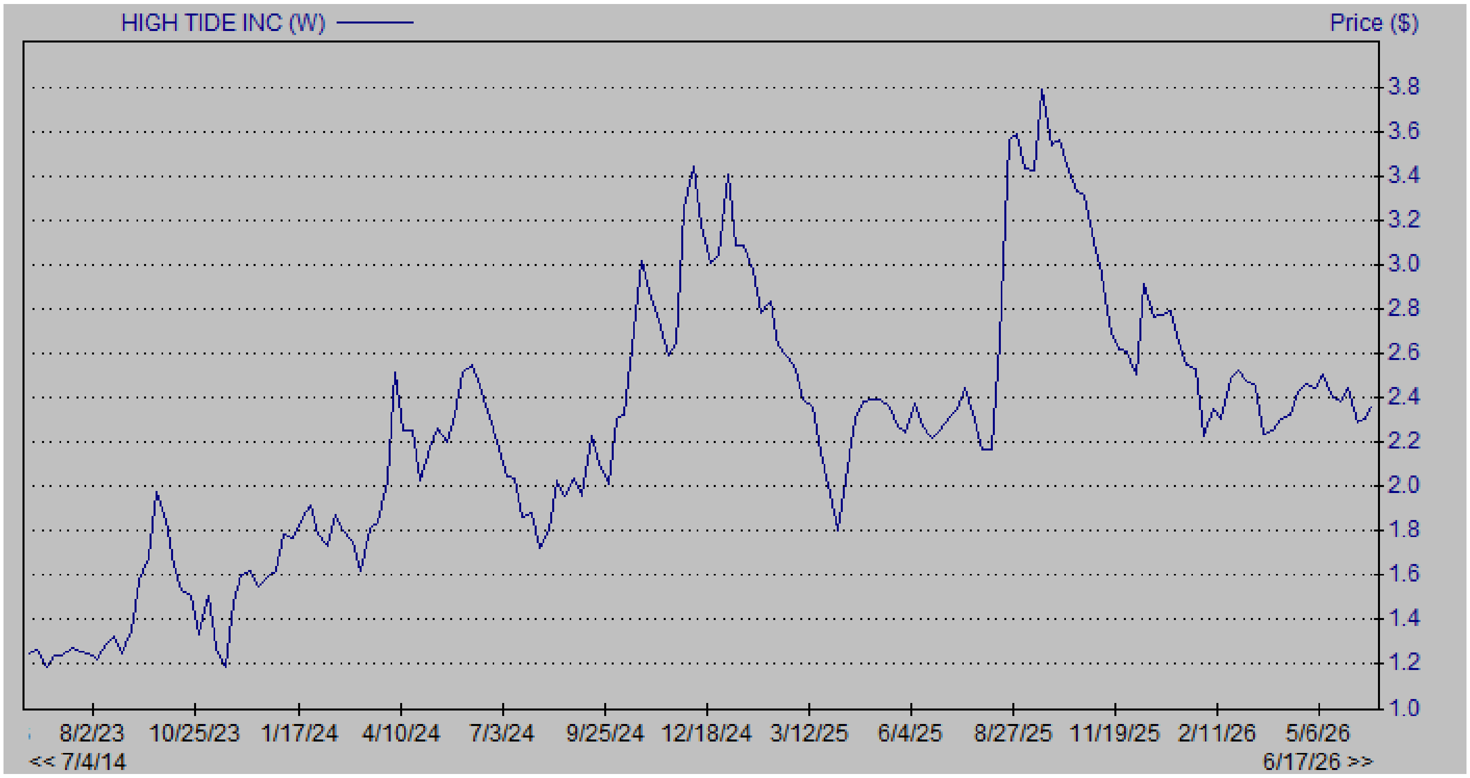
- M&A integration/financing: Over the years, HITI has completed a number of acquisitions to enhance/extend the company's footprint. All transactions carry meaningful execution and operational risks, particularly assuming accounting/finance, human resources, legal, and other back-office functions are consolidated post-acquisition. Looking ahead, management remains focused on potentially capitalizing on incremental M&A opportunities (at attractive valuations). That said, shareholders likely risk dilution, assuming prospective deals are at least partially financed with equity.

PROJECTED INCOME STATEMENT (CDN)

	F1Q25	F2Q25	F3Q25	F4Q25	F1Q26A	F2Q26A	F3Q26E	F4Q26E	F2024	F2025	F2026E	F2027E
	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26	Jul-26	Oct-26	Oct-24	Oct-25	Oct-26	Oct-27
Revenue												
Cannabis, CBD products, & Other	123,619	120,051	131,963	145,451	172,346	173,562	178,766	181,418	452,792	521,084	706,092	764,624
Consumption accessories	7,544	6,415	5,744	5,493	5,983	5,734	6,021	6,322	32,801	25,196	24,059	26,298
Data analytics, advertising and other revenue	11,298	11,338	11,983	13,087		0	0	0	36,713	47,706	0	0
Total Revenue	**142,461**	**137,804**	**149,690**	**164,031**	**178,329**	**179,296**	**184,786**	**187,740**	**522,306**	**593,986**	**730,151**	**790,923**
Cost of Sales	(107,021)	(102,333)	(109,599)	(121,503)	(133,920)	(130,905)	(135,098)	(137,445)	(379,804)	(440,456)	(537,369)	(577,062)
Gross Profit	35,440	35,471	40,091	42,528	44,409	48,391	49,688	50,294	142,502	153,530	192,782	213,861
Expenses												
Salaries, wages and benefits	(17,581)	(17,476)	(18,288)	(18,814)	(21,105)	(21,281)	(20,825)	(20,970)	(65,082)	(72,159)	(84,181)	(89,926)
Share-based compensation	(1,175)	(1,250)	(824)	(668)	(370)	(881)	(753)	(765)	(2,975)	(3,917)	(2,768)	(3,221)
General and administration	(6,563)	(5,768)	(6,623)	(7,099)	(7,393)	(7,241)	(7,812)	(7,843)	(21,836)	(26,053)	(30,290)	(33,043)
Professional fees	(1,809)	(1,690)	(2,301)	(2,669)	(2,437)	(3,819)	(3,007)	(3,055)	(7,734)	(8,469)	(12,317)	(13,343)
Advertising and promotion	(912)	(1,030)	(592)	(651)	(944)	(924)	(733)	(745)	(4,166)	(3,185)	(3,346)	(3,139)
Depreciation and amortization	(5,847)	(5,880)	(6,080)	(6,503)	(8,026)	(6,146)	(7,326)	(7,443)	(25,393)	(24,310)	(28,941)	(31,356)
Impairment loss net of recovery			0	(23,564)	0	0	0	0	(4,964)	(23,564)	0	0
Interest and bank charges	(1,486)	(1,445)	(1,644)	(1,746)	(1,763)	(2,002)	(2,483)	(2,515)	(5,349)	(6,321)	(8,763)	(10,484)
Total Expenses	**(35,373)**	**(34,539)**	**(36,352)**	**(61,714)**	**(42,038)**	**(42,294)**	**(42,939)**	**(43,336)**	**(137,499)**	**(167,978)**	**(170,607)**	**(184,512)**
Operating Income/(Loss)	**67**	**932**	**3,739**	**(19,186)**	**2,371**	**6,097**	**6,749**	**6,959**	**5,003**	**(14,448)**	**22,176**	**29,349**
Gain on extinguishment of financial liability	0	0	0	0	0	0	0	0	79	0	0	0
Gain on extinguishment of put option liability			0	0	0	0	0	0	885	0	0	0
Loss on revaluation of marketable securities	0	0	0	0	0	0	0	0	(89)	0	0	0
Finance and other costs	(2,731)	(3,566)	(2,676)	(3,895)	(6,113)	(5,228)	(5,228)	(5,228)	(10,058)	(12,868)	(21,797)	(9,011)
Gain on revaluation of put option liability	0	0	0	0	0	0	0	0	657	0	0	0
(Loss) gain on foreign exchange	13	(114)	(120)	(333)	144	212	0	0	(24)	(554)	356	0
Other loss	0	(42)	1	41	0	0	0	0	(342)	0	0	0
FV change in derivative liability			(43)	(23,516)	3,286	(762)	0	0	0	(23,559)	2,524	0
Gain (loss) on debentures	0	0	0	0	0	0	0	0	(515)	0	0	0
Pre-Tax Income/(Loss)	**(2,651)**	**(2,790)**	**901**	**(46,889)**	**(312)**	**319**	**1,521**	**1,731**	**(4,404)**	**(51,429)**	**3,259**	**20,338**
Income tax (expense) recovery	(38)	(46)	(69)	(112)	(40)	(295)	(304)	(346)	(601)	(265)	(985)	(5,084)
Deferred income tax recovery	0	0	0	290	0	0	0	0	1,194	290	0	0
Net Income/(Loss)	**(2,689)**	**(2,836)**	**832**	**(46,711)**	**(352)**	**24**	**1,217**	**1,385**	**(3,811)**	**(51,404)**	**2,273**	**15,253**
Translation difference on foreign subsidiary	881	(1,044)	100	514	0	0	0	0	1,591	451	0	0
Net comprehensive gain/(loss)	(1,808)	(3,880)	932	(46,197)	(352)	24	1,217	1,385	(2,220)	(50,953)	2,273	15,253
Earnings per share, diluted	**($0.03)**	**($0.04)**	**$0.01**	**($0.55)**	**$0.01**	**$0.00**	**$0.01**	**$0.01**	**($0.05)**	**($0.62)**	**$0.04**	**$0.16**

Source: Company reports and Zacks SCR estimates and calculations.

HISTORICAL STOCK PRICE



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