Cannara Biotech (Q3 2026 Earnings)

July 15, 2026

Corporate Speakers:

- Nicholas Sosiak; Cannara Biotech; Chief Operating Officer and Interim Chief Financial Officer

Participants:

- Nicholas Sosiak; Cannara Biotech; Chief Operating Officer and Interim Chief Financial Officer
- Neal Gilmer; Haywood Securities
- Derek Lessard; TD Cowen
- Mathieu Martin; Rivemont Investments

PRESENTATION

Operator: Good morning, everyone. Welcome to Cannara Biotech's Third Quarter 2026 Earnings Webcast, the three months ended May 31st, 2026.Today's presenter is Nicholas Sosiak, Chief Operating Officer and Interim Chief Financial Officer of Cannara Biotech. (Operator Instructions) Please be advised that today's conference is being recorded.

Before we begin, please refer to slides 2 and 3 of the company's cautions regarding forward-looking statements, market and industry data, and non-GAAP and other financial measures. I will now turn the call over to Nicholas Sosiak.Please go ahead, Sir.

Nicholas Sosiak: Good morning, everyone, and thank you for joining me to review Cannara's Q3 2026 results for the period ended May 31st, 2026. The third quarter demonstrated the depth and resilience of our business.

Gross cannabis revenue increased 16% year-over-year to $44.1 million, total net revenue reached $31.8 million, and adjusted EBITDA increased 11% to $8.5 million. We also generated $5.7 million of operating cash flow and remained profitable with net income of $4.8 million. These results reflect continued execution of a model built around premium quality at scale, disruptive pricing, and disciplined, profitable growth.

Our estimated national retail market share remained at 4.4%, positioning Cannara as the eighth largest licensed producer in Canada by estimated retail sales. We maintained our leadership position in Quebec, all while setting new monthly market share records in Ontario and Alberta in June of this year.

Importantly, our growth is being supported by a broader and increasingly productive distribution platform.Cannara products now exceed 49,000 points of distribution and represent approximately 3.3% of national cannabis retail listings. Our market share continues to exceed our shares of listing, demonstrating strong velocity and consumer pull-through.

Operationally, we activated two additional grow zones at Valleyfield during the quarter, bringing the total to 14 of 24 and increased annualized production capacity to more than 58,000 kilograms.

In response to demand signals, including our recently announced supply agreement with Curaleaf, we now expect to activate four additional zones by the end of fiscal 2027, bringing total active capacity to approximately 75,000 kilograms, about one year ahead of our original timeline.

This expansion remains demand-driven and capital-disciplined, supported by over $10.5 million of year-to-date investment in our infrastructure to expand post-processing throughput and unlock additional cultivation capacity within our existing owned footprint.

We also advanced several strategic priorities during and after the quarter.In May of 2026, we completed the acquisition of Medican Organic, fully consolidating ownership related to the Valleyfield facility, and gained access to SOPs and other intellectual property related to extraction.

We secured exclusive Canadian rights to Blue River’s Ampersand live rosin infusion technology, creating a differentiated new ingestible format under Nugz. And announced just yesterday, we entered our first long-term international supply agreement with Curaleaf, one of the world’s largest cannabis companies, providing a pathway into international markets and representing a potential aggregate contract value of up to $21 million.

Together, these milestones strengthen our vertically integrated platform and expand our growth opportunities across Canadian distribution, product innovation, and international supply. The key takeaway is that Cannara is scaling from a position of profitability and financial strength. We are expanding capacity in line with visible demand, investing behind proven brands and high-velocity products, and maintaining the operating discipline that has defined our growth.

With that, I will walk you through our financial performance for the quarter, which represents our 21st quarter of consecutive positive adjusted EBITDA and our 15th consecutive quarter of positive operating cash flow, demonstrating a business that is growing revenue, maintaining strong margins, generating cash, and funding a meaningful portion of its expansion internally.

Q3 delivered strong year-over-year results and sequential growth across our key financial measures. Gross cannabis revenue before excise tax increased to $44.1 million, up 6.2 million, or 16% from Q3 last year.Growth was driven by deeper penetration in existing markets, product innovation, and expanded formats across our brand portfolio, including real estate revenue, gross revenue reached $45.1 million.

Total revenue net of our excise taxes increased 16% to $31.8 million, from $27.3 million in the prior year quarter. On a sequential basis, total revenue increased 17% from Q2, reflecting a seasonal recovery in consumer demand, together with growth in both our retail and business-to-business channels.

Gross profit before fair value adjustments increased to $13.4 million from $12.1 million. Gross margin was 42%, compared with 44% last year and 43% in Q2. The modest change primarily reflects product mix.

We continue to invest in cultivation and post-processing initiatives intended to improve yield, product quality, and transformation costs, while preserving our competitive price-to-quality advantage.Operating income increased to $7.4 million from $6.8 million in Q3 of 2025. Income before taxes increased 19% to $6.9 million, and net income increased to $4.8 million from $4.1 million.Basic and diluted earnings per share were both $0.05.

Adjusted EBITDA increased 11% to $8.5 million, representing a 27% margin. This performance demonstrates the operating leverage of the platform as higher revenues translated into increased profitability while we continue to invest in our growth.

Operating cash flow was $5.7 million. The prior year quarter generated $13.9 million and benefited from the timing of cash receipts and payments. Free cash flow was $1.3 million, compared with $11.7 million last year, primarily due to higher capital expenditures related to the Valleyfield expansion and Processing Center project. Year-to-date, the underlying performance remains strong.

Gross cannabis revenue increased 13% to $123.7 million, while total net revenue increased 13% to $89.1 million. Gross profit before fair value adjustments increased 18% to $38.5 million, with the margin improving to 43% from 41%. Adjusted EBITDA increased 13% year-to-date to $23.3 million.

Operating cash flow was $16.6 million, and free cash flow remained positive at $4.3 million, despite a significant increase in growth capital expenditures. Year-to-date operating income and net income were lower than the prior year, primarily due to higher non-cash share-based compensation and increased investments in sales and marketing to support distribution and market expansion. These investments are deliberate and are intended to expand the revenue base and strengthen our platform for future growth.

I will now turn to our performance in the national retail market. At the national level, Cannara maintained an estimated 4.4% retail market share in Q3, consistent with Q2, and up from 4.1% in Q1. Compared with the same quarter last year, our national market share increased by approximately 50 basis points.

Quebec remained our largest market and the foundation of our leadership position, with an estimated 14.1% market share during the quarter. In June, market share normalized to 12.9%, following a period of exceptional growth, while we maintained our position as the number one licensed producer in the province.

Just as importantly, we are continuing to build meaningful scale in Canada's largest cannabis market, Ontario market share increased to 3.5% in Q3, from 3.1% in Q2, and reached a record 3.7% in June. Alberta also continued to improve, reaching 2.6% during the quarter, and a record 2.9% in June. These gains demonstrate that our brands, products, and pricing strategy resonate well beyond our home province.

They also reflect improving retail penetration. Cannara products represented approximately 3.1% of national retail listings during Q3, and 3.3% in June, compared with our 4.4% national retail market share. In other words, our products continue to generate more sales than our shelf space would suggest, demonstrating strong consumer demand and retail productivity.

Importantly, those gains are also translating into a much more diversified national revenue base. Let me show you what it looks like. While Quebec remains our largest market, Cannara is not dependent on a single province for growth.

During the third quarter, 54% of our estimated Canadian cannabis retail sales were generated outside of Quebec. Ontario now represents approximately 34% of our Canadian retail revenue. Alberta contributes another 11%, and British Columbia and the remaining provinces collectively account for the balance.

This diversification reflects years of disciplined expansion into Canada's largest provincial markets. It broadens our revenue base, reduces concentration risk, and provides a stronger platform for sustainable long-term growth as we continue expanding distribution and market share across the country. That national market expansion has been driven by the strength of our brands and continued product innovation, which we'll discuss next.

Our brand portfolio continues to lead across several important categories. Tribal is Canada's leading mass premium flower brand and a leader in premium live resin vapes. Nugz leads in hash rosin, while Nugz G-Sherb remains Canada's number one infused pre-roll.

In CBD, Orchid CBD remains Canada's leading CBD flower brand.The strength of this portfolio is its relevance to high-value consumers who purchase across multiple formats and prioritize quality, flavour, consistency, and innovation.

During Q3, we expanded that platform through new genetics and formats.Under Tribal, we added new Gran Turismo and Porto Leche products and extended Neon Sunshine and Bubble Up into larger flower formats.

Under Nugz, Flavour Bomb was a key highlight. The platform expanded across infused pre-rolls and liquid diamond vapes and now ranks amongst Ontario's top three infused pre-roll multipacks.With only three listings, it generates nearly six times the category average in sales per SKU, demonstrating the value of focused, high-velocity innovation.

We also launched NugzGrape by Ounce in the 28-gram format, extending our value proposition into Ontario's largest flower segment, which represents nearly 40% of all flower sales.We had previously limited our participation in this format due to significant price compression. However, with average selling prices per gram now improving, we are pursuing the opportunity from a disciplined entry point.

Within five weeks of launch, Grape by Ounce became a top five selling ounce in the province for May, with weekly shipments continuing to accelerate at quarter end.While still early, these results reinforce our confidence in our ability to gain share in a large, strategically important category.

Following the quarter, as mentioned earlier, we added another innovation pathway through our exclusive Canadian agreement with Blue River Terps. The agreement gives Cannara the right to commercialize products using Blue River's proprietary Ampersand live rosin infusion technology, bringing the flavour, terpene preservation, and full-spectrum characteristics of live rosin into an ingestible format under Nugz.

Together, these launches demonstrate how we are expanding the value of our portfolio through larger formats, higher-velocity platforms, and new consumption occasions. Importantly, we are doing so while maintaining a strong financial position, which brings me to our balance sheet.

Our balance sheet remains well-positioned to support the next phase of the business.We ended Q3 with $21.8 million of cash, compared with $14.4 million at the beginning of fiscal year. Current assets were $97.7 million, and current liabilities were $32.6 million, resulting in working capital of approximately $65.1 million, up $17.2 million since August 31st, 2025. Accounts receivable increased to $18.5 million, reflecting our higher revenue base and the timing of collections.

Inventory was $49.6 million, while biological assets were $6 million. These balances support a larger cultivation footprint, a broader product portfolio, and increased national distribution. Property plants and equipment increased to $92.8 million, reflecting continued investment in the Valleyfield Processing Center and the activation of additional grow zones.

Total assets increased to $194.5 million from $168.6 million at the beginning of the fiscal year. Total liabilities were $68.6 million, while shareholders' equity increased to $125.8 million from $102.2 million at year-end. This increase reflects retained earnings, the conversion of the convertible debenture, and the private placement completed earlier in the fiscal year.

During the quarter, we drew $2 million under our $10 million long-term credit facility to support construction of the new processing center at Valleyfield. Given our financial performance, the company also reduced its cost of borrowing down to a 4.83% interest rate.

Our capital expenditures are being directed towards projects with clear strategic and operating value that translates to direct revenue and profit, expanding post-processing throughput, activating additional grow zones, and supporting the infrastructure required for higher production volumes.

The key point is that we are funding these investments from a position of liquidity and profitability. We continue to generate positive operating cash flow, maintaining meaningful and working capital, and retain access to credit, allowing us to execute our expansion plan while remaining disciplined in our capital allocation. At an average closing share price of $1.71, Cannara's market capitalization was approximately $167 million.

We will continue to align spending with demand visibility, operational readiness, and expected returns, ensuring that capital is deployed where it can create the greatest long-term value for shareholders.

Before I conclude, I wanted to share a few recent photographs from our Valleyfield processing center expansion, which remains on schedule and on budget. The area highlighted in pink shows the new processing center currently under construction.

The photos below are the new drying rooms, which will significantly expand our post-harvest processing capacity and support the activation of additional cultivation zones over time. This investment is an important part of our long-term growth strategy. As cultivation capacity expands, we need the downstream processing infrastructure to match.The new facility provides that scalability while leveraging our existing footprint.

It also supports our international ambitions. Under our recently announced supply agreement with Curaleaf, Curaleaf will sponsor our pursuit of EU GMP certification for this processing center.

Achieving EU GMP certification is expected to further facilitate access to European medical cannabis markets and strengthen the foundation for our long-term international growth. We're excited about the progress being made and look forward to sharing additional construction updates as the project advances.

With that, I will now summarize the key takeaways from our performance this quarter.Cannara's strategy is built on premium quality at scale, disruptive pricing, and disciplined execution. Q3 provides clear evidence that this model is working. We increased gross cannabis revenue by 16%, generated $8.5 million of adjusted EBITDA, and remained free cash flow positive while investing in our next phase of capacity.

We maintained a 4.4% national retail market share, remained the market leader in Quebec, and reached record monthly shares in Ontario and Alberta. Our distribution footprint now exceeds 49,000 points, and our market share continues to outperform our share of retail listings.

We expanded annualized production capacity to more than 58,000 kilograms and accelerated our path to approximately 75,000 kilograms by the end of fiscal 2027, while preserving a clear runway to 100,000 kilograms within our existing footprint.

We also strengthened the platform through the Medican acquisition, the Blue River Technology Agreement, and our first long-term international supply agreement with Curaleaf.

Taken together, these commercial and operational milestones validates the strategy shown on the slide. Our premium quality products are creating consumer demand, our vertically integrated platform is converting that demand into profitable growth, and our disciplined expansion is creating a clear path to scale.

Curaleaf's decision to select Cannara following a detailed review of our facility operations and product provides further third-party validation of the quality and consistency of the platform we have built.

The result is a vertically integrated, profitable, and increasingly diversified cannabis platform with leading brands, structural cost advantages, and a clear path to scale. We remain focused on converting that opportunity into sustainable revenue growth, profitability, and cash generation. Thank you for your continued support. We will now open the line for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions). And our first question comes from the line of Neal Gilmer from Haywood Securities. Your question, please.

Neal Gilmer: Yes, thanks very much. Congrats on the quarter and yesterday's announcement. I think I'd like to start on yesterday's announcement with Curaleaf.I'm just wondering, you talked about how it's over a two-year period, I guess, and it's up to $21 million. What are some of the puts and takes that can sort of influence or fluctuatethe revenue that's received over the term of the contract?

Nicholas Sosiak: Thanks, Neal. Yes, it's basically -- it's a committed term. So, as long as we deliver our side of the equation, which is the cannabis supply, in bulk supply as per the schedule, then we'll achieve that $21 million over the two years.

Neal Gilmer: Okay, perfect. Thank you. And you referred to that Curaleaf is going to sponsor your EU GMP. What exactly does that mean? Like so there…

Nicholas Sosiak: Yes, absolutely. It's a very important question. In order to get EU GMP, you need to have a sponsor. And what a sponsor means is another license holder of an EU GMP license that provides their kind of sign-off on the partner LP that they're trying to get the EU GMP for.

This streamlines the process, and nowadays with the competition extremely high, a sponsorship is very hard to come by. So, in our case, this partnership not onlygives us access to an additional revenue stream, but gave us access to a sponsorship so that we can get Valleyfield EU GMP certified.

Neal Gilmer: Yes, that's great. I assume too early to even hazard a guess as to the timeframe, right?

Nicholas Sosiak: Exactly.I mean, what I've been told, it's a year to two years, but it's completely out of our hands. We have to build the EU GMP processing center, which is going to be finalized by December of this year.

We're moving both the application along, but essentially we have to finish the construction, so that really the timer will start sometimes toward the end of 2026. And yes, it's usually about a year to two years, depending on many factors.

Neal Gilmer: Yes. That's what's to be seen for sure. What's sort of the timing with respect to the four additional rooms? I know you said by the end of '27, so that's August of next year.Are you going to bring sort of two on by the end of this year and then another two on like next year? Or do you sort of need to wait for the post-processing to be complete at the end of the year before you start?

Nicholas Sosiak: Yes, exactly. We reached capacity with the 14 rooms. So, given that our drying rooms and all the processing project will be done in December, we plan to activate three rooms, Q2, Q3, and then the last room in Q4.

Neal Gilmer: Okay. And then maybe lastly, just trying to clarify your comment on the prepared remarks with respect to Quebec in June. It sounds like your market share dipped a little bit, but you referred to that as a more normalized level.Can you just sort of elaborate on that a little bit?

Nicholas Sosiak: Yes, I mean, we're still holding our number one position, even though we did drop a couple of points. What essentially happened is that there was an innovation cycle that launched in Quebec. And given our higher market share, we only got, I think it was one or two listings compared to previously where we got more than two listings.

So, we didn't have a lot of innovation going into that innovation cycle. And although we did lose a couple of percentage because consumers changed some products, it brought everyone down and kind of normalized across the different SKUs.

Neal Gilmer: Yes.

Nicholas Sosiak: And we're launching two new SKUs in Quebec coming into September, and we're excited also for the next protocol.

Neal Gilmer: Okay, great. Thanks for taking my questions. And yes, congrats on both the quarter and yesterday's announcement.

Nicholas Sosiak: Absolutely. Thanks, Neal.

Operator: Thank you. And our next question comes from the line of Derek Lessard from TD Cowen. Your question, please.

Derek Lessard: Yes, good morning, Nicholas, and congrats to you and the team on a great quarter and yesterday's announcement.

I was curious, how are you guys thinking about the relative priority of international growth versus domestic expansion outside of Quebec? And how does that influence sort of the timing of the activation for the remaining 10 grow rooms?

Nicholas Sosiak: We're, I'd say, 95% dedicated to the Canadian opportunity. That means that we're going -- we only -- we're opening rooms in line with the demand that we generate in Canada. And we're taking the slow and steady approach of doing it properly, launching the right SKUs, launching the right Finos [ph], coming into the market with the right prices, innovation cycle, genetics, all that.

So, we're taking the slow and steady approach and really focusing on the rest of Canada, holding share in Quebec, slowly climbing up as well. We see the market increasing 6%, 7% a year. So, holding that and holding forward in Quebec, but really focusing outside.And you're seeing that with the greatest market share increase in Ontario and Alberta.

International, our deal with Curaleaf, it's a committed deal. It allowed us to allocate rooms for this deal, while those rooms were not in the near-term, two-year-term plan. So, that allowed us to accept the deal and generate additional revenue so that we can reinvest back into the Canadian market.

Derek Lessard: Okay.

Nicholas Sosiak: Given also the partnership, though, now that we're closer in international, we're also looking at building this international opportunity, but not at the cost of our Canadian opportunity.

Derek Lessard: Awesome. Okay. And then just to remind us as well, when a grow room is activated, how long does it typically take before that capacity begins to contribute meaningfully to revenue? And then how should we be thinking about I guess the timing of the revenue contribution from Curaleaf?

Nicholas Sosiak: Yes. So, for retail, once we activate a room, it takes about six months to generate the revenue from it. That's four months of flowering time and drying and processing time, five months for the fifth month for packaging and distribution, and then once we sell it in month six. So, five to six months would be generally the period that we expect from when we turn on a room.

As for the Curaleaf deal, it is starting on August 1st, and it's a bulk sale. And the sale happens when we do sell the cannabis, so we could assume that it's going to be linearly generated over the next two years, starting from August 1st.

Derek Lessard: Okay. And then one final one for me before I recue. It's just on your previous answer to the question in terms of the innovation cycle, where you said you kind of lagged in Q3. What was the -- ui guess what was the product category where you lagged, and where you -- and then you also mentioned that you have an upcoming innovation cycle where you're launching to new SKUs.Can you just highlight some of the opportunity there and product category as well?

Nicholas Sosiak: Yes, the lag really, I guess you're referring to where we weren't playing in the 28-gram market. If you look at our product mix in the rest of Canada, even in Quebec, we're probably less than 4% of our product portfolio of revenues generated from 28 grams. In Ontario, at least that's 40% of dried flower sales.

So, it's a huge, huge revenue driver, and we play -- we don't play in that. And if you look at our competitors' product set, you'll see that over 80% of their sales are coming from that category. So, we're over time, as we build this operation, we reduce our costs, price compression, less competition in the market.

That opens up an opportunity in exactly what we were waiting for to get into. So, we're launching large formats, 14 grams, 28 grams under Nugz. We just launched in like, I think it was May, so probably only a week or two weeks of sales in the quarter.

As well as our infused diamond line, we're launching Flavour Bomb under our Nugz brand as well, which is a product made from liquid diamonds, high THC, it's what the -- all these flavours. It's what the market is asking for. We see the highest growth in those categories.And we're coming in with a highly competitive product, very high -- priced competitively. And I think already three or four of our products are in the top ten in those categories in Ontario.

Derek Lessard: Okay. Thanks, Nicholas, and congrats again.

Nicholas Sosiak: Thanks, Derek.

Operator: Thank you. Our next question comes from the line of Mathieu Martin from Rivemont Investments. Your question, please.

Mathieu Martin: Hi, Nick. Congrats. So, I just wanted to understand a bit more about your expansion plan. You mentioned that you've opened two new grow rooms in connection with the Curaleaf agreement, and then four more next year.

So, if I recall correctly, each grow room can do about $10 million in net revenue. So, you are looking at potentially $60 million more in revenue by the end of next fiscal year. So, it seems like a lot of additional capacity beyond what Curaleaf is committing to, so can you just help me understand what's the -- like the rest of this expected demand? Where is it coming from?

Nicholas Sosiak: It's coming from what we're seeing in the market with the launches of all our products, the bigger categories that we're getting into. The Flavour Bomb line is utilizing all our excess cannabis at this point where, for the first time ever, we have to go out to the market and purchase additional biomass to support those SKUs.

We've been working on a phenohunt program for the past year or two that we started, and now we're starting to -- we're lining up 2027 to generate the fruits of that labor. So, we do have a genetic roster that we're waiting to deploy and given our current sales with our current genetics, we can't add those genetics and meet the demand and have the capacity for it.

So, those rooms are going to be utilized to cultivate new genetics and fulfill the demand that we're seeing in the 28-gram as well as the liquid diamonds, our 14-gram, as well as our existing products.

Mathieu Martin: Okay, that's great. So, in terms of international, do you see -- like is there potentially upside as well on the Curaleaf agreement or it's really like your expectation, that $21 million and rest is really it's just for Canada?

Nicholas Sosiak: No, it's -- they've communicated that they want a lot more than what we've agreed to. As we're just -- as we said, we don't want to -- we have to focus on our Canadian opportunity and we're going to operate the way we've structured it right now.And as we build through and continue growing our demand, if there's a gap, there's upside on the Curaleaf agreement.

Mathieu Martin: Yes. Okay, that makes sense. And then can you share a bit more in terms of the economics of the Curaleaf deal? Because I assume that the selling price program will be lower but with better margins. Is there any color you can provide on this?

Nicholas Sosiak: Well, it's essentially that, we're selling it bulk, so we don't have to go through the -- at this moment in time until we get the EUGMP, the drying and the trimming process, the packaging process. We don't have to wait the five months to get back the revenue. There's no excise tax.

So, all that, you're correct that we're not getting the $2.53 a gram retail, but our costs are significantly less. No packaging costs, no drying and trimming costs. So, we can expect similar to better margins than what we're currently generating.

Mathieu Martin: Okay. And are you able to quantify what better margins mean? Are we talking about 50% gross margins? Or like -- I'm just curious if there's any color you can share there.

Nicholas Sosiak: Yes, I'll leave that to you. You'll see that in the upcoming financials as we go through this process. But it's we've structured it so that it makes it more rewarding for us at this point in time. Of course, again, our focus in the matter, even if it's more rewarding for us, is still Canadian retail because that's what we control. That's what we see long-term once we establish our part.

I mean we have the same clients for the past seven years, right? So, that's the real -- like that for us, is always going to be the opportunity, but you can imagine that we've structured it so that this makes it more interesting for us.

Mathieu Martin: Okay, perfect.

And then last question, again, on international. As I'd mentioned in a press release recently that they were sending Tribal products to Germany, is there any kind of exclusivity with Curaleaf or can you develop other relationships like ITIED [ph] or any other partners in parallel with that distribution deal you just signed?

Nicholas Sosiak: Yes, we associate --because again, our main focus is Canada, we didn't want to defocus ourselves and spend resources on the international opportunity at this point in time.

We've established two large partnerships, and I think it covers us and allows us to play in those opportunities while keeping our objective of the Canadian opportunity is branded products with Canna Cabana and bulk products with Curaleaf.

Mathieu Martin: Yes, okay, perfect. Sounds good. Thank you very much and congrats again on the quarter.

Nicholas Sosiak: Yes. Thanks, Mathieu,

Operator: Thank you. And our next question is a follow-up from the line of Derek Lessard from TD Cowen. Your question, please.

Derek Lessard: Yes, just a couple of follow-ups for me. Was there -- your G&A and selling costs did drop meaningfully as a percentage of revenue sequentially, so versus Q2. With Q2, was there something of an outlier with the elevated costs last quarter? And should we think of the current quarters more of a sustainable run rate in the cost structure?

Nicholas Sosiak: Absolutely. The Q2 was just an anomaly. It's one of the -- the cannabis industry is 100% affected by seasonality, and Q2 for us is the period where seasonality affects the most. And unfortunately, where our quarters are, it really does affect because for December, Christmas, they're ordering in November, so that all comes into November. And then seasonality starts in January and February, and then they restart ordering in March.

So, it was a blip in our quarter. So, Q3 is definitely more reflective of what you can expect. And going forward, we've learned from that mistake is that we will cycle innovations during that seasonality period so that we can keep our quarters as smooth as possible.

Derek Lessard: Okay.

And another thing, you did note that there was increased competitive pressure in the market. I'm just curious where that pressure is most pronounced. Is it pricing, promotion, shelf space, innovation, or specific geographies?

Nicholas Sosiak: It's shelf space and the marketing spend. If you look at our sales and marketing line versus our comp set, we want and our objective is to keep it under 10%. Any more doesn't make it feasible for your EBITDA and your net income.

So, that's the challenge where we're growing at a slower pace and slower and steady because we want to manage those costs. Price compression in terms of flour and pre-rolls, I'd say it's going the opposite way. And that's why we're playing in the high-pack categories.

I guess the only price compression for us would have been in the vape category, the live resin category, which we're addressing post-quarter. We've been category leaders in our live resin for five, six years and some competitors finally caught up to, I guess, caught up to a good product that can compete with us.

Derek Lessard: Right.

Nicholas Sosiak: Yet our product was making 65% margins. So, we're going to adjust it down slightly and get back our share in the base.

Derek Lessard: Okay. And then -- and one final one for me, Nicholas, is I -- just to be clear, are you saying that domestic demand is good enough for you guys that it's leading you to turn on those four rooms a year early?

Nicholas Sosiak: Correct, yes.

Mathieu Martin: Okay. Okay, thanks.

Operator: Thank you. And I'm not showing any further questions in the queue at this time. I'd like to hand the program back to Nicholas Sosiak for any further remarks.

Nicholas Sosiak: I would like just to thank everyone for joining us today and for your continued support in following the Cannara story. As you can see, we're building a real foundation in the cannabis industry. This opportunity is right in front of us, both domestic and internationally.

We've been executing for the past seven years. We're still in execution mode for the next three years on our Valleyfield facility, focused on completing it, scaling it profitably, and translating that growth into long-term shareholder value. So, we look forward to seeing you again next quarter, and I wish everyone a great day.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.