

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Unaudited Interim Consolidated Financial Statements and the related Notes thereto for the three month period ended August 31, 2025 contained in this Quarterly Report on Form 10-Q (“Form 10-Q”) and the Audited Consolidated Financial Statements and the related Notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025, as well as in conjunction with the sections entitled “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025 and in the section entitled “Item 1A. Risk Factors” in this Form 10-Q. Forward looking statements in this Form 10-Q are qualified by the cautionary statement included in this Form 10-Q under the sub-heading “Cautionary Note Regarding Forward-Looking Statements” in the introduction of this Form 10-Q.

Company Overview

Tilray Brands, Inc., a Delaware corporation (collectively, along with its subsidiaries, the “Company”, “Tilray”, “we”, “us” and “our”), is a leading global lifestyle consumer products company, which was incorporated on January 24, 2018 and is headquartered in Leamington and New York, with operations in Canada, the United States, Europe, Australia and Latin America that is leading as a transformative force at the nexus of cannabis, beverage, wellness, and entertainment, elevating lives through moments of connection. Tilray’s mission is to be a leading premium lifestyle company with a house of brands and innovative products that inspire joy, wellness and create memorable experiences.

Our overall strategy is to leverage our brands, infrastructure, expertise and capabilities to drive revenue growth in the industries in which we compete, achieve industry-leading profitability and build sustainable, long-term shareholder value. In order to ensure the long-term sustainable growth of our Company, we continue to focus on developing strong capabilities in data analytics and consumer insights, drive category management leadership and assess opportunities for the introduction of new categories, products and entries into new geographies. In addition, we are relentlessly focused on managing our cost structure and expenses in order to maintain our strong financial position. Finally, our experienced leadership team provides a strong foundation to accelerate our growth. Our management team is complemented by experienced operators, cannabis industry experts, veteran beer and beverage industry leaders and leaders that are well-established in wellness and better-for-you products, all of whom apply an innovative and consumer-centric approach to our businesses.

Trends and Other Factors Affecting Our Business

Beverage market trends:

Within the beverage category, we expect the following key trends to shape the near-term outlook in this segment:

- *Beverage Distribution.* In furtherance of our strategic vision, we remain focused on enhancing our relevance within home markets on mission critical SKUs, focusing on our core brands in their core markets. Through targeted efforts, we continue to strategically optimize our portfolio mix and distribution network to refine our craft beer strategy, enhancing our relevance and focusing resources on our core markets as part of our portfolio optimization initiatives. Spring retail product resets demonstrated improvements in the distribution of our core brands and key innovation initiatives, including Shock Top, Runner's High non-alcoholic, and SweetWater Brewing's newly launched Day Trip and Dive Beer. We expect to begin to see the impact of these gains throughout fiscal year 2026.
- *Innovation.* Recognizing the evolving consumer landscape and the burgeoning demand for alternative beverage options, we have prioritized innovation and portfolio diversification. Our recent endeavors include launching a lineup of Hemp Derived Delta-9 (HD-D9) products, Non-Alcoholic beverages, water through our Liquid Love brand, flavored malt beverages, and clean label Energy drinks. These strategic innovations underscore our commitment to offering high-quality options across a diverse range of beverage categories, positioning us for sustained growth and differentiation in the competitive beverage segment.
- *Brew Pubs.* Following our recent Craft Acquisition I on September 29, 2023 and the Craft Acquisition II effective September 1, 2024, we operate 16 brew pubs including our Breckenridge Distillery restaurant in geographic regions across the U.S. that are located in close proximity to the production of our craft brands. An important part of our strategic plan for our beverage operations centers on brew pubs to promote and showcase the distinct, regional positioning of our craft beer brands and enhance brand recognition to help drive revenue growth. We believe that our brew pub strategy allows us to curate unique small batch product offerings in targeted test markets to help drive effective product innovation.

In the spirits category, Breckenridge Distillery stands out as a beacon within the bourbon industry, making notable strides in vodka and gin markets while offering a comprehensive hospitality experience through its world-class restaurant and retail location. Our primary growth objective centers on expanding market share across the United States. To fuel future expansion, we prioritize showcasing our exceptional product quality and introducing innovative new offerings. Recent accolades, including Double Gold awards at prestigious competitions such as Breckenridge Reserve Port Cask Finish being named the World's best finished Bourbon at the 2024 World Whiskies Awards, we believe underscore our brand's growing recognition and appeal. Despite prevailing challenges within the overall spirits market, we believe our focus on whiskey—a resilient segment—positions us for continued growth fueled by innovative product introductions and expanded market presence.

Canadian cannabis market trends:

The cannabis industry in Canada continues to evolve given how nascent the industry is with federal legalization of adult-use cannabis occurring just over five years ago. Through analysis of the current market conditions, the following key trends have emerged and are anticipated to influence the near-term future in the Canadian cannabis industry:

- *Market share.* During the quarter, Tilray continued to lead the Canadian market with the highest cannabis revenue in Canada. Additionally, during the quarter, we experienced a marginal increase in market share in Canada from 9.3% to 9.4% from the immediately preceding quarter as reported by Hifyre data for all provinces, excluding Quebec where Weedcrawler was deemed more accurate. The current period increase in market share reflects our strength in flower and non-infused pre-roll categories which offset our lower participation in specific categories experiencing the most price compression. Additionally, we continue to enhance our global supply chain and increase our cultivation footprint to support the growing demand for our product in both Canadian and international cannabis markets. In the meantime, we continue to opportunistically redirect certain inventories to international cannabis markets, which is expected to generate higher margin sales.
- *Price compression.* Historical price compression in specific categories is expected to persist in the market, intensified by fierce competition among the approximately 1,000 Licensed Producers in Canada. The fixed impact of excise per gram, notwithstanding the decline in average selling prices, further compounds these challenges, and has promoted ongoing industry lobbying efforts.

International cannabis trends:

We are a global leader in the development, production, distribution, marketing and sale of pharmaceutical-grade medical cannabis products. The cannabis industry in Europe is still in its early stages of development and countries within Europe are at different stages of medical and adult-use cannabis legalization. The most meaningful progress to date has been the legalization and regulation of cannabis for medical purposes, which has now taken place in more than 19 countries representing a population of more than 477 million people (Germany, UK, Italy, Poland, Netherlands, Czech Republic, Greece, Portugal, Austria, Switzerland, Denmark, Croatia, Malta, Luxembourg, Ukraine, Sweden, Norway, Türkiye, Ireland, and Israel). Beyond this, some countries have expressed a clear political ambition to legalize adult-use cannabis (Portugal and Luxembourg), some are engaging in experiments for adult-use legalization (Germany, Netherlands, Malta, Czech Republic and Switzerland) and some are debating regulations for cannabinoid-based medicine (France and Spain). In Europe, we believe that, despite continuing recessionary economic conditions, political uncertainty in various countries and the continuing Russian conflict with Ukraine, cannabis legalization (both medicinal and adult-use) will continue to gain traction albeit more slowly than originally expected. This is evidenced by the cannabis regulations in Germany adopted on April 1, 2024, which we believe will serve as a catalyst for continued changes in drug policy throughout Europe. Outside of Europe and North America, the cannabis industry is also in its early stages of development with Australia representing one of the larger markets and with some Latin American countries also growing their respective medical cannabis markets, such as Argentina, Panama, Colombia and Brazil.

We continue to believe that Tilray remains uniquely positioned to maintain and gain significant market share in the markets in which we participate. We benefit from our end-to-end vertically-integrated infrastructure and well-placed investments, which are comprised of two EU-GMP cultivation facilities located in Portugal and Germany; our fully owned route-to-market encompassing sales, marketing and distribution infrastructure in Germany, Australia and Italy; a network of leading distributors who we work with in the various other countries in which we participate; and, our extensive genetics portfolio and demonstrated commitment and expertise related to the cultivation and production of high-quality, safe cannabis products. Tilray's International business also benefits from the depth and breadth of knowledge, experience, relationships and infrastructure we have gleaned from our leading participation and investment into the Canadian medical and adult-use markets. Tilray is proudly pioneering the effort to further understand the therapeutic value of cannabis through the guidance of its independent Medical Advisory board and through partnerships with leading research institutions globally, Tilray is currently supporting clinical trials around the world studying the efficacy of cannabis in treating various indications. We believe that these assets and attributes, combined with our ability to navigate complex regulatory environments, will continue to drive our leadership in international medical markets and allow us to successfully enter new markets as they adopt medical cannabis and potentially adult-use regulations and may also serve to support a potential U.S. participation in the event of federal legalization.

Germany. Today, Germany remains the largest medical cannabis market in Europe.

We continue to believe that Tilray is well-positioned in Germany, especially considering the enactment of MedCanG and given that we are one of only three manufacturers of medical cannabis in Germany since our wholly owned subsidiary, Aphria RX, was awarded the first license for the cultivation of medical cannabis in Germany by the BfArM under the liberalized regime. Said license will improve our ability to meet the needs of patients and provide cannabis of the utmost quality and enhanced availability to a broader market.

As the market continues to mature, we have seen increased demands and differentiation specifically with medical cannabis flowers. In response, we have launched the Tilray Craft, Redecan and Good Supply brands and related medical cannabis products, which provides the patient with a segmented portfolio of products while we continue to deliver on the trust, safety and consistency that has become expected from our Tilray Medical brand.

Poland. In Poland, cannabis was legalized for medical use in 2018 and is prescribed to patients by a physician and dispensed by pharmacies. Today, all doctors in Poland are allowed to prescribe medical cannabis and it is a self-pay market as medical cannabis is not refundable by the Polish health service. Tilray is a leading supplier of medical cannabis in Poland through our network of distributor partnerships. We predominantly supply the market with whole flower medical cannabis products.

United Kingdom. Since November 2018, doctors in the UK have been able to prescribe medical cannabis for medicinal use for patients with medical conditions that had failed to respond to first-line medications. The market today is predominantly all self-pay and prescriptions are facilitated by private clinics. Today, we supply the UK market with mainly whole flower products from both the Tilray Medical and Broken Coast brands through our distributor partners.

Ireland. In June 2019, the Minister for Health signed legislation allowing for the operation of the Medical Cannabis Access Programme (“MCAP”) on a pilot basis for five years. The MCAP allows a medical consultant to prescribe a cannabis-based treatment for a narrow set of specified medical conditions, where the patient has failed to respond to standard treatment. Reimbursement is available for products which have received the appropriate approvals. Tilray was one of the first players to enter the Irish market and is one of a few suppliers which has received approval for its products to be prescribed and to have been granted reimbursement status. Today, we supply our approved extract product to Ireland through our distribution partner.

Italy. In May 2023, Tilray Medical received authorization from Italy’s Ministry of Health to distribute three new medical cannabis compounds. These medical cannabis compounds are distributed by FL Group, our wholly-owned subsidiary, to pharmacies across Italy. With FL Group, we have an established broad national pharmaceutical distribution network in Italy, where medical cannabis is prescribed by doctors and reimbursed by the healthcare system to eligible patients. In 2025, Tilray has received additional cannabis flower and extract product authorizations and has formed a strategic partnership with Molteni Farmaceutici with the commitment to broaden the availability of Tilray Medical products for patients across Italy.

Australia. In 2016, the Australian Government legalized medicinal cannabis, which is regulated by the Therapeutic Goods Administration. Medical cannabis is prescribed by a doctor but there is no coverage under the Pharmaceutical Benefits Scheme. Tilray Medical supplies the market with wide portfolio of medical cannabis extracts as well as whole flower products. As the market continues to mature, we have seen increased demands and differentiation specifically with medical cannabis flowers. In response, we launched the Broken Coast, Redecan and Good Supply brands and products, which provides the patient with a segmented portfolio of products while we continue to deliver on the trust, safety and consistency that has become expected from our Tilray Medical brand.

Wellness market trends:

Tilray Wellness's branded business continues to grow across brick-and-mortar retail as well as ecommerce, further establishing its leading market share position in better-for-you categories. The Company continues to focus on value-added innovation within natural and organic food and beverages across branded and ingredient sales. We continue to participate in multiple growing categories including super-seeds, better for you breakfast, better for you snacking, and natural energy drinks.

Acquisitions, Strategic Transactions and Synergies

We strive to continue to expand our business, on a consolidated basis, through a combination of organic growth and acquisition. While we continue to execute against our strategic initiatives that we believe will result in long-term, sustainable growth and value to our stockholders, we continue to evaluate potential acquisitions and other strategic transactions of businesses that we believe complement our existing portfolio, infrastructure and capabilities or provide us with the opportunity to enter attractive new geographic markets and product categories as well as expand our existing capabilities. In addition, we have exited certain businesses and continue to evaluate certain businesses within our portfolio that are dilutive to profitability and cash flow. As a result, we incur transaction costs in connection with identifying and completing acquisitions and strategic transactions, as well as ongoing integration and restructuring costs as we combine acquired companies and continue to achieve synergies, which is offset by income generated in connection with the execution of these transactions. For the three months ended August 31, 2025, we incurred \$0.4 million of transaction expenses, as discussed further below.

Beverage segment Project 420:

In November 2020, we entered the beverage category with the acquisition of SweetWater Brewing Company, one of the largest independent craft brewers in the U.S. by volume, with the vision of creating a larger and more diversified global lifestyle consumer products company.

This initial acquisition provided us with a foundation to pursue additional acquisitions in the beverage category and scale our business on a national basis. We acquired Alpine Beer Company, Green Flash and Breckenridge Distillery in December 2021, Montauk Brewing Company in November 2022, Craft Acquisition I in October 2023 and Craft Acquisition II in September 2024.

With Craft Acquisition I and Craft Acquisition II, we capitalized on opportunities to acquire additional beverage businesses that consisted of strong brands in decline and in need of investment in order to promote growth at a significantly reduced price. To support the growth of these acquired brands and establish a clear path to profitability, we implemented Project 420, which is a comprehensive plan covering (i) SKU rationalization; (ii) Geographic rationalization; (iii) Distributor rationalization; and (iv) synergy optimization plan through which we expect to invest in the acquired brands for growth and improve profitability:

- ***SKU rationalization*** – In response to the declining growth in the craft beer industry and consolidation of distributors, we are working with our distributors in various markets to streamline our portfolio by eliminating duplicative, lower margin and slower growth products, which has the immediate effect of reducing revenue. However, by eliminating these slower moving and lower margin SKUs, we are able to focus our attention and resources on our higher growth SKUs and the introduction of new innovation, which we expect will accelerate our revenue growth in future quarters. Going forward, we will continue to manage SKU performance within our portfolio on a “one in and one out basis” to maximize SKU productivity.
- ***Geographic rationalization*** – On a consolidated basis, we generate sales in all states however, our brands are significantly stronger in their home markets. For example, SweetWater is located in Georgia and, as a result, its revenues are stronger in Georgia, Alabama, North Carolina and Florida, while 10 Barrel, which is located in Oregon has stronger revenue in Oregon, Washington, Idaho and Wyoming. In away markets, like Oregon for SweetWater, and Georgia for 10 Barrel, the brands are not as strong in the away states. Our geographic rationalization works to concentrate our efforts in individual states with our strongest brands in those states. As we reduce the distribution of away markets brands in those states, we are working to increase the distribution and shelf space of home market brands. This initiative is consistent with our Regional Jewel strategy developed in conjunction with the Boston Consulting Group.
- ***Distributor rationalization*** – As a result of our various acquisitions in the last five years, we have over 750 distributors and 975 distributor shipping locations. As a result, we are shipping to multiple distributors in the same geography as well as splitting the allocation of local brands between multiple distributors. The goal of the distributor rationalization is to reduce our distributor footprint down to between 450 and 500 distributors, concentrating those distributor's effort on our brands and SKUs, while minimizing logistical complexities.
- ***Synergy optimization plan*** – We previously announced a \$33 million synergy plan focused on optimizing our production footprint and eliminating redundancies in manufacturing and warehouse assets. By integrating the newly acquired facilities into our existing footprint, we are optimizing capacities, utilization and better absorbing fixed overheads. This in turn is improving our gross margins. As of August 31, 2025, we have achieved \$25.1 million of those savings to date. We expect to complete the synergy optimization plan in the third quarter of fiscal 2026.
- ***Brand and business investment*** – We have been and are continuing to increase our investment in the marketing, promotion and infrastructure of our recently acquired brands in order to reestablish their dominance in their core markets. Our intention is to fund this investment through the cost savings and synergies achieved through Project 420.

It is important to note, however, that there is a lag between the discontinuation of the SKUs and the associated reduction in revenue, which has an immediate effect, and the acceleration of the growth of our existing SKUs and the introduction of new innovation and the associated increase in revenue, which takes time due to retailer resets. We also expect these efforts will lead to improved sales and margins, with benefits realized through lower selling costs, as well as reduced requirements for working capital through inventory reductions and an improvement in our cash conversion cycle.

Political and Economic Environment

Our results of operations may continue to be affected by economic, political, legislative, regulatory, legal actions, global volatility and general market disruption resulting from geopolitical tensions, such as Russia's continued incursion into Ukraine, the ongoing events in the Middle East and political uncertainty in certain countries in Europe. Economic conditions, such as recessionary trends, inflation, supply chain disruptions, interest and monetary exchange rates, government fiscal policies, and the recent economic uncertainties resulting from certain changes in U.S. global economic policy, including changes on global trade policies can have a significant effect on operations. More specifically, there are no expected impacts on revenue from the recently enacted U.S. tariffs and foreign enacted retaliatory tariffs ("Tariffs"). From a cost perspective, we believe the recently enacted Tariffs could impact input materials such as aluminum, hops, barley, malt and vape componentry, which are partially imported but we intend to mitigate these impacts to the extent possible.

Results of Operations

Our consolidated results, in thousands except for per share data, are as follows:

(in thousands of U.S. dollars)	For the three months ended		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
Net revenue	\$ 209,501	\$ 200,044	\$ 9,457	5%
Cost of goods sold	152,032	140,338	11,694	8%
Gross profit	57,469	59,706	(2,237)	(4)%
Operating expenses:				
General and administrative	41,053	44,113	(3,060)	(7)%
Selling	12,923	11,690	1,233	11%
Amortization	3,929	21,804	(17,875)	(82)%
Marketing and promotion	10,155	11,566	(1,411)	(12)%
Research and development	41	105	(64)	(61)%
Change in fair value of contingent consideration	(15,000)	—	(15,000)	NM
Litigation costs, net of recoveries	1,007	1,595	(588)	(37)%
Restructuring costs	869	4,247	(3,378)	(80)%
Transaction costs (income), net	400	1,156	(756)	(65)%
Total operating expenses	55,377	96,276	(40,899)	(42)%
Operating income (loss)	2,092	(36,570)	38,662	(106)%
Interest expense, net	(6,696)	(9,842)	3,146	(32)%
Non-operating (expense) income, net	3,832	12,646	(8,814)	(70)%
Loss before income taxes	(772)	(33,766)	32,994	(98)%
Income tax expense (recovery), net	(2,285)	886	(3,171)	(358)%
Net income (loss)	\$ 1,513	\$ (34,652)	\$ 36,165	(104)%

Use of Non-GAAP Measures

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report on Form 10-Q, we discuss non-GAAP financial measures, including references to:

- adjusted gross profit (excluding purchase price allocation ("PPA") step up) consolidated and for each reporting segment (Cannabis, Beverage, Distribution and Wellness),
- adjusted gross margin (excluding PPA step up) consolidated and for each reporting segment (Cannabis, Beverage, Distribution and Wellness),
- adjusted EBITDA,
- cash and marketable securities, and
- constant currency presentation of net revenue (by segment and consolidated).

These non-GAAP financial measures should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America, ("GAAP"). These financial measures, which may be different than similarly titled financial measures used by other companies, are presented to help investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Please see "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" below for reconciliation of such non-GAAP financial measures to the most directly comparable GAAP financial measures, as well as a discussion of our adjusted gross margin, adjusted gross profit and adjusted EBITDA measures and the calculation of such measures.

Constant Currency Presentation

We believe that this financial measure provides useful information to investors because it eliminates the effect that foreign currency exchange rate fluctuations may have on period-to-period comparability given the volatility in foreign currency exchange markets and therefore, provides greater transparency to the underlying performance of our consolidated net sales. To present this information for historical periods, current period net sales for entities reporting in currencies other than the U.S. Dollar are translated into U.S. Dollars at the average monthly exchange rate in effect during the corresponding period of the prior fiscal year rather than at the actual average monthly exchange rate in effect during the current period of the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

Cash and Marketable Securities

The Company combines the Cash and cash equivalent financial statement line item and the Marketable securities financial statement line item as an aggregate total as reconciled in the liquidity and capital resource section below. The Company's management believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its short-term liquidity position by combining these two GAAP metrics.

Operating Metrics and Non-GAAP Measures

We use the operating metrics and non-GAAP measures set forth in the table below to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. Other companies, including companies in our industry, may calculate operating metrics and non-GAAP measures with similar names differently which may reduce their usefulness as comparative measures. Certain variances are labeled as not meaningful (“NM”) throughout management's discussion and analysis.

(in thousands of U.S. dollars)	For the three months ended	
	August 31, 2025	August 31, 2024
Net beverage revenue	\$ 55,739	\$ 55,972
Net cannabis revenue	64,511	61,249
Distribution revenue	74,007	68,071
Wellness revenue	15,244	14,752
Beverage costs	34,413	33,050
Cannabis costs	41,241	37,054
Distribution costs	66,008	60,138
Wellness costs	10,370	10,096
Adjusted gross profit (excluding PPA step-up) (1)	57,469	59,881
Beverage adjusted gross margin (excluding PPA step-up) (1)	38%	41%
Cannabis adjusted gross margin (excluding PPA step-up) (1)	36%	40%
Distribution gross margin	11%	12%
Wellness gross margin	32%	32%
Adjusted EBITDA (1)	\$ 10,181	\$ 9,334
Cash and marketable securities (1) as at the period ended:	264,828	280,055
Working capital as at the period ended:	\$ 433,508	432,334

(1) Adjusted EBITDA, adjusted gross profit (excluding PPA step-up) and adjusted gross margin (excluding PPA step-up) for each of our segments, and cash and marketable securities are non-GAAP financial measures. See “Use of Non-GAAP Measures” above for a discussion of these Non-GAAP measures and “Reconciliation of Non-GAAP Financial Measures to GAAP Measures” below for a reconciliation of these Non-GAAP Measures to our most comparable GAAP measure and the discussion above captioned “Cash and Marketable Securities.”

Segment Reporting

For the three months ended August 31, 2025 and August 31, 2024, respectively, our reporting segments net revenue was comprised of net revenues from our beverage, cannabis, distribution, and wellness operations as follows:

(in thousands of U.S. dollars)	For the three months ended		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
Beverage business	\$ 55,739	\$ 55,972	\$ (233)	(0)%
Cannabis business	64,511	61,249	3,262	5%
Distribution business	74,007	68,071	5,936	9%
Wellness business	15,244	14,752	492	3%
Total net revenue	\$ 209,501	\$ 200,044	\$ 9,457	5%

For the three months ended August 31, 2025 and August 31, 2024, respectively, our reporting segment net revenue on a constant currency⁽¹⁾ basis was as follows:

(in thousands of U.S. dollars)	For the three months ended as reported in constant currency		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
Beverage business	\$ 55,739	\$ 55,972	\$ (233)	(0)%
Cannabis business	64,049	61,249	2,800	5%
Distribution business	69,706	68,071	1,635	2%
Wellness business	15,281	14,752	529	4%
Total net revenue	\$ 204,775	\$ 200,044	\$ 4,731	2%

For the three months ended August 31, 2025 and August 31, 2024, respectively, our geographic net revenue was as follows:

(in thousands of U.S. dollars)	For the three months ended as reported in constant currency		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
USA	\$ 63,961	\$ 63,880	\$ 81	0%
Canada	58,167	55,905	2,262	4%
EMEA	85,253	77,672	7,581	10%
Rest of World	2,120	2,587	(467)	(18)%
Total net revenue	\$ 209,501	\$ 200,044	\$ 9,457	5%

For the three months ended August 31, 2025 and August 31, 2024, respectively, our geographic net revenue on a constant currency⁽¹⁾ basis was as follows:

(in thousands of U.S. dollars)	For the three months ended as reported in constant currency		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
USA	\$ 63,961	\$ 63,880	\$ 81	0%
Canada	58,436	55,905	2,531	5%
EMEA	80,008	77,672	2,336	3%
Rest of World	2,370	2,587	(217)	(8)%
Total net revenue	\$ 204,775	\$ 200,044	\$ 4,731	2%

For the three months ended August 31, 2025 and May 31, 2025, respectively, our geographic capital assets were as follows:

(in thousands of U.S. dollars)	August 31, 2025	May 31, 2025	Change 2025 vs. 2024	% Change
	USA	\$ 195,436		
Canada	262,114	267,458	(5,344)	(2)%
EMEA	99,109	97,371	1,738	2%
Rest of World	3,498	3,601	(103)	(3)%
Total capital assets	\$ 560,157	\$ 568,433	\$ (8,276)	(1)%

Beverage revenue

Net revenue from our Beverage segment decreased to \$55.7 million for the three months ended August 31, 2025, compared to revenue of \$56.0 million for the prior year period. The decrease in beverage net revenue was primarily driven by industry trends within the craft beer segment as well as our portfolio optimization efforts in connection with our ongoing Project 420 initiatives. These impacts were offset by the inclusion of sales from Craft Acquisition II, effective September 1, 2024, as the prior year fiscal quarter did not reflect this transaction.

Cannabis revenue

For the three months ended August 31, 2025 and August 31, 2024, respectively, cannabis net revenue based on market channel was as follows:

(in thousands of US dollars)	For the three months ended		Change	% Change
	August 31, 2025	August 31, 2024		
Revenue from Canadian medical cannabis	\$ 6,146	\$ 6,261	\$ (115)	(2)%
Revenue from Canadian adult-use cannabis	64,067	57,235	6,832	12%
Revenue from wholesale cannabis	4,155	5,507	(1,352)	(25)%
Revenue from international cannabis	13,367	12,191	1,176	10%
Total cannabis revenue	87,735	81,194	6,541	8%
Excise taxes	(23,224)	(19,945)	(3,279)	16%
Total cannabis net revenue	\$ 64,511	\$ 61,249	\$ 3,262	5%

For the three months ended August 31, 2025 and August 31, 2024, respectively, cannabis net revenue based on market channel on a constant currency⁽¹⁾ basis was as follows:

(in thousands of US dollars)	For the three months ended as reported in constant currency		Change	% Change
	August 31, 2025	August 31, 2024		
Revenue from Canadian medical cannabis	\$ 6,174	\$ 6,261	\$ (87)	(1)%
Revenue from Canadian adult-use cannabis	64,359	57,235	7,124	12%
Revenue from wholesale cannabis	4,173	5,507	(1,334)	(24)%
Revenue from international cannabis	12,674	12,191	483	4%
Total cannabis revenue	87,380	81,194	6,186	8%
Excise taxes	(23,331)	(19,945)	(3,386)	17%
Total cannabis net revenue	\$ 64,049	\$ 61,249	\$ 2,800	5%

(1) The constant currency presentation of our Cannabis revenue based on market channel is a non-GAAP financial measure. See "Use of Non-GAAP Measures – Constant Currency Presentation" above for a discussion of these Non-GAAP Measures.

Revenue from Canadian medical cannabis: Gross revenue from Canadian medical cannabis decreased to \$6.1 million for the three months ended August 31, 2025 compared to gross revenue of \$6.3 million for the prior year period. On a constant currency basis, gross revenue from Canadian medical cannabis was \$6.2 million for the three months ended August 31, 2025. The decrease in gross revenue from medical cannabis, on a constant currency basis, was primarily driven by uninsured patient attrition to the adult-use recreational market, which was partially offset by new insured patient acquisition.

Revenue from Canadian adult-use cannabis: During the three months ended August 31, 2025, our gross revenue from Canadian adult-use cannabis increased to \$64.1 million, compared to gross revenue of \$57.2 million for the prior year period. On a constant currency basis, our gross revenue from Canadian adult-use cannabis increased to \$64.4 million for the three months ended August 31, 2025. The increase in gross adult-use revenue was primarily attributed to sales growth in our flower and non-infused pre-roll categories where we have begun to see positive results from our continued innovation and enhanced cultivation capacity. Additionally, we have started to re-enter price-compressed categories that were previously margin prohibitive but are now generating positive gross margins due to our ongoing cost savings initiatives. Lastly, we have continued to invest in our cultivation footprint to support the growing demand in both the Canadian and international markets. Given the higher margin that can be earned on international cannabis sales, we may, when advantageous to do so, continue to redirect inventories to international markets, which may negatively impact Canadian adult-use sales in future periods.

Wholesale cannabis revenue: Gross revenue from wholesale cannabis decreased to \$4.2 million for the three months ended August 31, 2025, compared to gross revenue of \$5.5 million for the prior year period. On a constant currency basis, gross revenue from wholesale cannabis decreased to \$4.2 million for the three months ended August 31, 2025. Due to the transition by many licensed producers in the Canadian market to asset-light business models, the Canadian cannabis industry has experienced a reduction in excess inventory resulting in price increases in the B2B market. As a result of this shift in market dynamics and demand, we continue to evaluate the market and may opportunistically sell into the wholesale market where it makes sense. Specifically, during this fiscal quarter, our wholesale cannabis revenue was lower than the prior year fiscal quarter due to our strategic decision to channel more of our volume into the other markets in which we participate.

International cannabis revenue: Net revenue from International cannabis increased to \$13.4 million for the three months ended August 31, 2025, compared to net revenue of \$12.2 million for the prior year period. On a constant currency basis, given the strengthening of the Euro against the U.S. Dollar when compared to the prior year quarter, net revenue from international cannabis increased to \$12.7 million for the three months ended August 31, 2025. International cannabis net revenue may fluctuate from quarter to quarter based upon the timing of the receipt of export/import permits as well as the timing of shipments from one quarter to the next. Despite increasing international cannabis revenue in the fiscal quarter, we continued to experience extensive delays in the receipt of import/export permits that prevented us from shipping medical cannabis flowers to their intended destination.

Distribution revenue

Net revenue from our Distribution segment increased to \$74.0 million for the three months ended August 31, 2025, compared to revenue of \$68.1 million for the prior year period. On a constant currency basis, given the change in the Euro and Argentine Peso against the U.S. Dollar in the quarter, revenue from Distribution increased to \$69.7 million for the three months ended August 31, 2025. The increase in distribution revenue in the period was driven by a change in product mix and by the impacts of foreign exchange.

Wellness revenue

Our Wellness segment net revenue increased to \$15.2 million for the three months ended August 31, 2025 compared to \$14.8 million from the prior year period. On a constant currency basis for the three months ended August 31, 2025, Wellness segment net revenue increased to \$15.3 million. The increase in revenue was drive by our strategic focus on value-add innovations, including high protein super-seeds, better-for-you breakfast products, better-for-you snacking, and clean energy drinks.

Gross profit, gross margin and adjusted gross margin⁽¹⁾ for our reporting segments

For the three months ended August 31, 2025 and August 31, 2024, respectively, our gross profit and gross margin were as follows:

(in thousands of U.S. dollars)	For the three months ended		Change	% Change
	August 31, 2025	August 31, 2024		
Beverage				
Net revenue	\$ 55,739	\$ 55,972	\$ (233)	(0)%
Cost of goods sold	34,413	33,050	1,363	4%
Gross profit	21,326	22,922	(1,596)	(7)%
Gross margin	38%	41%	(3)%	(7)%
Purchase price accounting step-up	—	175	(175)	(100)%
Adjusted gross profit (1)	21,326	23,097	(1,771)	(8)%
Adjusted gross margin (1)	38%	41%	(3)%	(7)%
Cannabis				
Net revenue	64,511	61,249	3,262	5%
Cost of goods sold	41,241	37,054	4,187	11%
Gross profit	23,270	24,195	(925)	(4)%
Gross margin	36%	40%	(4)%	(10)%
Distribution				
Net revenue	74,007	68,071	5,936	9%
Cost of goods sold	66,008	60,138	5,870	10%
Gross profit	7,999	7,933	66	1%
Gross margin	11%	12%	(1)%	(8)%
Wellness				
Net revenue	15,244	14,752	492	3%
Cost of goods sold	10,370	10,096	274	3%
Gross profit	4,874	4,656	218	5%
Gross margin	32%	32%	0%	0%
Total				
Net revenue	209,501	200,044	9,457	5%
Cost of goods sold	152,032	140,338	11,694	8%
Gross profit	57,469	59,706	(2,237)	(4)%
Gross margin	27%	30%	(3)%	(10)%
Purchase price accounting step-up	—	175	(175)	(100)%
Adjusted gross profit (1)	57,469	59,881	(2,412)	(4)%
Adjusted gross margin (1)	27%	30%	(3)%	(10)%

(1) Adjusted gross profit is our Gross profit (adjusted to exclude purchase price accounting valuation step-up) and adjusted gross margin is our Gross margin (adjusted to exclude purchase price accounting valuation step-up) and are non-GAAP financial measures. See "Use of Non-GAAP Measures" above for additional discussion regarding these non-GAAP measures. The Company's management believes that adjusted gross profit and adjusted gross margin are useful to our management to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. We do not consider adjusted gross profit and adjusted gross margin in isolation or as an alternative to financial measures determined in accordance with GAAP.

Beverage gross margin: For the three months ended August 31, 2025, our beverage segment generated gross margin and adjusted gross margin of 38%, which decreased from 41% generated in the prior year period. The change in the beverage gross margin and adjusted beverage gross margin for the three months ended August 31, 2025 was driven by several factors, including our Craft Acquisition II, which historically has operated at a lower gross margin as well as timing delays in realizing the full benefits of our Project 420 cost savings initiatives.

Cannabis gross margin: For the three months ended August 31, 2025, our cannabis segment generated gross margin of 36%, which decreased from 40% generated in the prior year period. The decrease in gross margin for the three months ended August 31, 2025 was driven by our increased participation in lower margin product categories in the Canadian adult-use cannabis market, as we lower our cost structure to eliminate negative margins.

Distribution gross margin: For the three months ended August 31, 2025, our distribution segment generated gross margin of 11%, which decreased from 12% generated in the prior year period, which was attributed to a change in product mix.

Wellness gross margin: For the three months ended August 31, 2025, our wellness segment generated gross margin of 32%, which was consistent with the prior year period.

Operating expenses

During the three months ended August 31, 2025 and August 31, 2024, respectively, the changes in operating expenses were as follows:

(in thousands of US dollars)	For the three months ended		Change	% Change
	August 31, 2025	August 31, 2024		
General and administrative	\$ 41,053	\$ 44,113	\$ (3,060)	(7)%
Selling	12,923	11,690	1,233	11%
Amortization	3,929	21,804	(17,875)	(82)%
Marketing and promotion	10,155	11,566	(1,411)	(12)%
Research and development	41	105	(64)	(61)%
Change in fair value of contingent consideration	(15,000)	—	(15,000)	NM
Litigation costs, net of recoveries	1,007	1,595	(588)	(37)%
Restructuring costs	869	4,247	(3,378)	(80)%
Transaction costs (income), net	400	1,156	(756)	(65)%
Total operating expenses	<u>\$ 55,377</u>	<u>\$ 96,276</u>	<u>\$ (40,899)</u>	<u>(42)%</u>

Operating expenses are comprised of general and administrative, selling, amortization, marketing and promotion, research and development, change in fair value of contingent consideration, litigation costs, net of recoveries, restructuring costs and transaction costs (income), net. For the three months ended August 31, 2025, operating expenses decreased by \$40.9 million to \$55.4 million when compared to \$96.3 million for the prior year period. This decrease was primarily attributed to the lower amortization expense in the current period, which resulted from the intangible asset reduction recorded during the fiscal quarter ended May 31, 2025, as well as, a gain from the change in fair value of the Montauk contingent consideration, and, to a lesser extent, a reduction in non-recurring litigation, restructuring and transaction cost charges as well as general and administrative costs.

General and administrative costs

During the three months ended August 31, 2025 and August 31, 2024, respectively, the changes in general and administrative costs when compared to the prior year period were as follows:

(in thousands of US dollars)	For the three months ended		Change 2025 vs. 2024	% Change
	August 31, 2025	August 31, 2024		
Salaries and wages	\$ 21,736	\$ 21,567	\$ 169	1%
Office and general	8,697	9,260	(563)	(6)%
Stock-based compensation	5,052	6,917	(1,865)	(27)%
Insurance	2,393	2,455	(62)	(3)%
Professional fees	1,218	1,178	40	3%
Gain on sale of capital assets	(241)	(26)	(215)	827%
Travel and accommodation	1,312	1,493	(181)	(12)%
Rent	886	1,269	(383)	(30)%
Total general and administrative costs	<u>\$ 41,053</u>	<u>\$ 44,113</u>	<u>\$ (3,060)</u>	<u>(7)%</u>

Salaries and wages increased by 1% during the three months ended August 31, 2025 when compared to the prior year period. The increase during the three months ended August 31, 2025 was primarily due to the inclusion of employees from our Craft Acquisition II, which was effective as of September 1, 2024 and therefore, its salaries and wages were not included in the prior year quarter. In addition, the current period included \$1.3 million of retention payments compared to \$0.2 million the prior year fiscal quarter ended August 31, 2024, which was offset by our ongoing cost saving initiatives.

Office and general decreased by 6% during the three months ended August 31, 2025 when compared to the prior year period. The decrease was driven by our ongoing cost saving initiatives.

The Company recognized stock-based compensation expense of \$5.1 million for the three months ended August 31, 2025 compared to \$6.9 million for the prior year period. Stock-based compensation expense is based on the time-based vesting schedules and varies according to the assumptions used in the vesting model. During the three months ended August 31, 2025, stock-based compensation decreased due to the vesting of previously issued stock options, restricted stock units (“RSUs”) and stock appreciation rights (“SARs”) under Tilray 2018 Equity Incentive Plan and Original Plan.

Insurance expense decreased by 3% for the three months ended August 31, 2025 to \$2.4 million from \$2.5 million for the prior year period due to lower premiums.

Rent expense decreased by 30% for the three months ended August 31, 2025 to \$0.9 million compared to \$1.3 million for the prior year period, driven by ongoing cost saving initiatives. Rent expense is predominantly comprised of operating lease expenses for our brew pubs and office spaces.

Selling costs

For the three months ended August 31, 2025, the Company incurred selling costs of \$12.9 million or 6.2% of net revenue as compared to \$11.7 million or 5.8% of net revenue in the prior year period. These costs relate to third-party shipping costs for all segments, in addition to distributor commission incurred by the cannabis segment, Health Canada cannabis fees, and patient acquisition and maintenance costs. The increase for the three months ended August 31, 2025 is predominately due to higher freight costs incurred in the beverage segment as they continue to integrate operations and the higher proportion of medical cannabis sales within Germany that have higher distribution costs.

Amortization

The Company incurred non-production related amortization charges of \$3.9 million for the three months ended August 31, 2025, compared to \$21.8 million in the prior year period based on depreciable capital and intangible assets useful lives. The decrease in the amortization expense is due to the lower carrying value of intangible assets as a result of the impairment charges recognized during the fiscal year ended May 31, 2025.

Marketing and promotion costs

For the three months ended August 31, 2025, the Company incurred marketing and promotion costs of \$10.2 million as compared to \$11.6 million for the prior year period. The decrease was driven by less expense relating to discretionary marketing in the quarter when compared to the prior year period.

Research and development

Research and development costs were \$0.0 million during the three months ended August 31, 2025, compared to \$0.1 million in the prior year period. These relate to external costs associated with the development of new products.

Change in fair value of contingent consideration

The Company measures contingent consideration at fair value classified as Level 3, as discussed in Note 24 (Financial risk management and financial instruments). During the three months ended August 31, 2025, the Company recognized \$15.0 million of change in the fair value of contingent consideration as the likelihood of achievement decreased to 0% of such contingent consideration related to the Montauk Brewing acquisition.

Litigation costs, net of recoveries

For the three months ended August 31, 2025, the Company recorded \$1.0 million of litigation settlements costs and third-party fees incurred in defending these claims, net of favorable recoveries compared to \$1.6 million in the prior year period. The decrease is related to period-to-period variability as litigation and settlement costs are non-recurring in nature.

Restructuring costs

In connection with the integration of certain acquisitions and strategic transactions, the Company has incurred restructuring and exit costs in the amount of \$0.9 million for the three months ended August 31, 2025, compared to \$4.2 million for the prior year period. All restructuring plans are approved at the executive level, and their associated expenses are recognized in the period in which the plan is committed or otherwise incurred.

Within the Cannabis segment, during the three months ended August 31, 2025, the Company recognized \$0.7 million of expenses related to employee termination severance and benefits associated with the reorganization of the Canadian cannabis commercial function. Additionally, the Company recognized \$0.2 million of restructuring charges related to our decision to exit the New Zealand medical cannabis market announced during the fiscal year ended May 31, 2025.

During the fiscal year ended May 31, 2025, the Company accrued \$8.5 million of restructuring charges related to the closure of Hop Valley and other Project 420 initiatives within the Beverage segment, of which \$1.2 million was recognized in the three months ended August 31, 2025 thereby, reducing the accrual to \$7.3 million.

Transaction (income) costs, net

Transaction (income) costs, net, include non-recurring acquisition related income and expenses, related legal, financial advisor and due diligence cost and expenses and transaction related compensation. For the three months ended August 31, 2025, transaction (income) costs, decreased by 65% from the prior year fiscal quarter due to the fact that we incurred more expense in the prior year period in connection with the Craft Acquisition II.

Non-operating (expense) income, net

During the three months ended August 31, 2025 and August 31, 2024, respectively, the changes in non-operating (expense), net income were comprised of:

(in thousands of US dollars)	For the three months ended		Change	% Change
	August 31, 2025	August 31, 2024		
Change in fair value of warrant liability	(3,670)	696	(4,366)	(627)%
Foreign exchange gain (loss)	6,928	11,881	(4,953)	(42)%
Loss on long-term investments	39	(39)	78	(200)%
Unrealized loss on digital assets	(8)	—	(8)	NM
Other non-operating (losses) gains, net	543	108	435	403%
Total non-operating income (expense)	<u>\$ 3,832</u>	<u>\$ 12,646</u>	<u>\$ (8,814)</u>	<u>(70)%</u>

For the three months ended August 31, 2025, the Company recognized a loss on the change in fair value of its warrants of \$3.7 million, compared to a gain of \$0.7 million in the prior year period as a result of the change in our share price and the exercise price of the warrants. For the three months ended August 31, 2025, the Company recognized a gain of \$6.9 million resulting from the changes in foreign exchange rates during the period compared to a gain of \$11.9 million for the prior year period. For the three months ended August 31, 2025, the Company recognized a gain of \$0.04 million on long-term investments compared to a loss of \$0.04 million for the prior year period. For the three months ended August 31, 2025, the Company recognized a loss of \$0.01 million on digital assets from the unrealized change in fair value of Bitcoin compared to \$nil million for the prior year period. The other non-operating (losses) gains, net were gains of \$0.5 million for the three months ended August 31, 2025, compared to a gain of \$0.1 million for the prior year period, and was mainly comprised of the gain of \$0.5 million resulting from the exchange transaction of the TLRY 27 Note, as described in Note 12 (Convertible debentures payable).

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA as net loss/net income before income taxes, net interest expense, depreciation and amortization, purchase price accounting step-up on inventory, stock-based compensation, impairments, other than temporary change in fair value of convertible notes receivable, restructuring costs, transaction (income) costs net, litigation costs net of recoveries, change in fair value of contingent consideration, project 420 cost savings initiatives, unrealized currency gains and losses and other adjustments.

We believe that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to the Company's results of operations and financial condition. In addition, management uses this measure for reviewing the financial results of the Company and as a component of performance-based executive compensation.

We do not consider adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of adjusted EBITDA is that it excludes certain expenses and income that are required by U.S. GAAP to be recorded in our consolidated financial statements. In addition, adjusted EBITDA is subject to inherent limitations as this metric reflects the exercise of judgment by management about which expenses and income are excluded or included in determining adjusted EBITDA. In order to compensate for these limitations, management presents adjusted EBITDA in connection with GAAP results.

For three months ended August 31, 2025, adjusted EBITDA increased to \$10.2 million compared to \$9.3 million for the prior year period as a result of our organic growth combined with ongoing cost savings initiatives.

	For the three months ended		Change	% Change
	August 31, 2025	August 31, 2024		
Adjusted EBITDA reconciliation:				
Net income (loss)	\$ 1,513	\$ (34,652)	\$ 36,165	(104)%
Income tax expense (recovery), net	(2,285)	886	(3,171)	(358)%
Interest expense, net	6,696	9,842	(3,146)	(32)%
Non-operating income (expense), net	(3,832)	(12,646)	8,814	(70)%
Amortization	15,561	31,814	(16,253)	(51)%
Stock-based compensation	5,052	6,917	(1,865)	(27)%
Change in fair value of contingent consideration	(15,000)	—	(15,000)	NM
Impairments	—	—	—	NM
Other than temporary change in fair value of convertible notes receivable	—	—	—	NM
Project 420 business optimization	200	—	200	NM
Purchase price accounting step-up	—	175	(175)	(100)%
Facility start-up and closure costs	—	—	—	NM
Litigation costs, net of recoveries	1,007	1,595	(588)	(37)%
Restructuring costs	869	4,247	(3,378)	(80)%
Transaction costs (income), net	400	1,156	(756)	(65)%
Adjusted EBITDA	<u>\$ 10,181</u>	<u>\$ 9,334</u>	<u>\$ 847</u>	<u>9%</u>

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, net income (loss). There are a number of limitations related to the use of Adjusted EBITDA as compared to net income (loss), the closest comparable GAAP measure. Adjusted EBITDA adjusts for the following:

- Non-cash amortization expenses and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Stock-based compensation expenses, a non-cash expense and are an important part of our compensation strategy;
- Non-cash impairment charges, as the charges are not expected to be a recurring business activity;
- Non-cash foreign exchange gains or losses, which accounts for the effect of both realized and unrealized foreign exchange transactions. Unrealized gains or losses represent foreign exchange revaluation of foreign denominated monetary assets and liabilities;
- Non-cash change in fair value of warrant liability;
- Non-cash change in fair value of contingent consideration;
- Project 420 business optimization costs;
- Interest expense, net;
- Costs incurred to start up new facilities, and to fund emerging market operations;
- Transaction (income) costs, net which includes acquisition related income and expenses, related legal, financial advisor and due diligence cost and expenses and transaction related compensation, which vary significantly by transaction and are excluded to evaluate ongoing operating results;
- Restructuring charges;
- Litigation costs, net of favorable recoveries and the third party fees associated with defending these claims, including costs related to legacy and non-operational litigation matters, legal settlements and recoveries;
- Amortization of purchase accounting fair value step-up in inventory value included in costs of goods sold; and
- Current and deferred income tax expenses and recoveries, which could be a significant recurring expense or recovery in our business in the future and reduce or increase cash available to us.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted gross profit and adjusted gross margin are non-GAAP financial measures and may not be comparable to similar measures presented by other companies. Adjusted gross profit is our Gross profit (adjusted to exclude PPA valuation step-up) and adjusted gross margin is our Gross margin (adjusted to exclude PPA valuation step-up) and are non-GAAP financial measures. The Company's management believes that adjusted gross profit and adjusted gross margin are useful to our management to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. We do not consider adjusted gross profit and adjusted gross margin percentage in isolation or as an alternative to financial measures determined in accordance with GAAP.

Liquidity and Capital Resources

We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, and complete acquisitions. We believe that existing cash, cash equivalents, marketable securities and cash generated by operations, together with access to external sources of funds, will be sufficient to meet our domestic and foreign capital needs for the short and long term outlook.

For the Company's short-term liquidity requirements, we are focused on generating positive cash flow from operations and being free cash flow positive. Certain of our business segments, such as cannabis, are working capital intensive and have longer cash conversion cycles. In order to mitigate these effects, management continues to optimize our infrastructure, headcount, as well as the elimination of other discretionary operational costs. Additionally, the Company continues to work on improvements to the cash conversion cycles across its businesses and invest our excess cash in short-term marketable securities, which are comprised of U.S. treasury bills and term deposits with major Canadian, European and Australian banks as well as in digital assets.

For the Company's long-term liquidity requirements, we are focused on funding operations through profitable organic growth and through acquisitions of businesses that are accretive to earnings and are less working capital intensive. We may need to take on additional debt or equity financing arrangements in order to achieve these target goals on a long-term basis.

On May 17, 2024, the Company entered into an equity distribution agreement with TD Securities (USA) LLC and Jefferies LLC in connection with an aggregate offering value of up to \$250 million from time to time through an at-the-market equity program ("ATM Program"). During the three months ended August 31, 2025, the Company issued 34,443,799 shares under the ATM Program generating gross proceeds of \$23.0 million. The Company paid \$0.5 million in commissions and other fees associated with these issuances generating net proceeds of \$22.5 million. The Company intends to use the net proceeds from the ATM Program to fund strategic and accretive acquisitions or investments in businesses and capital expenditures for acquired businesses, including potential acquisitions of assets to capitalize on expected regulatory advancements or expansion opportunities. As of August 31, 2025, \$51.6 million of gross proceeds remain available under the ATM program.

Additionally, we are committed to optimizing our capital structure and enhancing financial flexibility as we intend to continue to opportunistically purchase or exchange equity for the TLRY 27 Notes prior to their underlying maturity date in June 2027, subject to market conditions.

The following table sets forth the major components of our statements of cash flows for the periods presented:

	For the three months ended	
	August 31, 2025	August 31, 2024
Net cash provided by (used in) operating activities	\$ (1,341)	\$ (35,307)
Net cash provided by (used in) investing activities	24,467	(49,395)
Net cash provided by financing activities	19,848	60,590
Effect on cash of foreign currency translation	188	958
Cash and cash equivalents, beginning of period	221,666	\$ 228,340
Cash and cash equivalents, end of period	\$ 264,828	\$ 205,186
Marketable securities	—	74,869
Cash and marketable securities ⁽¹⁾	\$ 264,828	\$ 280,055

(1) Cash and marketable securities are non-GAAP financial measures. See "Use of Non-GAAP Measures" above for additional discussion regarding these non-GAAP measures. The Company combines the Cash and cash equivalent financial statement line item, and the Marketable securities financial statement line item as an aggregate total as reconciled in the liquidity and capital resource section below. The Company's management believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its short-term liquidity position by combining these three GAAP metrics.

Cash flows from operating activities

The change in net cash used in operating activities was (\$1.3) million for three months ended August 31, 2025, compared to (\$35.3) million for the prior year period. The prior year period was impacted by the integration Craft Acquisition I, which required working capital investments.

Cash flows from investing activities

The change in net cash provided by (used in) investing activities was \$24.5 million for three months ended August 31, 2025, compared to (\$49.4) million for the prior year period, and was a result of the sale of marketable securities in the current year compared to the purchase of marketable securities in the prior year period.

Cash flows from financing activities

The change in cash provided by financing activities was \$19.8 million for three months ended August 31, 2025, compared to \$60.6 million for the prior year period due to variability in funds provided under the ATM Program.

Subsequent Events

Refer to Part I, Financial Information, Note 27 *Subsequent Events*.

Contingencies

In addition to the litigation described in the Part II, Item 1 - Legal Proceedings, the Company is and may be a defendant in lawsuits from time to time in the normal course of business. While the results of litigation and claims cannot be predicted with certainty, the Company believes the reasonably possible losses of such matters, individually and in the aggregate, are not material. Additionally, the Company believes the probable final outcome of such matters will not have a material adverse effect on the Company's consolidated results of operations, financial position, cash flows or liquidity.

Critical Accounting Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that may impact the reported amounts of assets and liabilities as of the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies, however, materially different amounts may be reported under different conditions or using assumptions different from those that we have applied. The accounting estimates that have been identified as critical to our business operations and to understanding the results of our operations pertain to revenue recognition, valuation of inventory, valuation of long-lived assets, goodwill and intangible assets, stock-based compensation and valuation allowances for deferred tax assets. The application of each of these critical accounting policies and estimates is discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in, our Annual Report on Form 10-K for the fiscal year ended May 31, 2025.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in "Part I, Item 1. Note 1 – Basis of presentation and summary of significant accounting policies" to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.