

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 November 30, 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 continue 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 with mission critical SKUs, focusing on our core brands in their core markets and on driving growth of our highest margin SKUs within these brands. Through targeted efforts, we continue to strategically optimize our price/pack/channel architecture and drive distribution to continue to execute against our craft beer strategy, streamlining our business, enhancing our relevance and focusing resources on our core markets. The 2025 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 amongst others. We have started to see the impact of these gains throughout fiscal year 2026.
- *Innovation.* In the United States, we have been closely monitoring consumer beverage trends, which have included consumers drinking less beverage alcohol products and, when consuming alcoholic beverages, the increasing demand for ready-to-drink cocktail options. To address these trends, we have engaged in strategic innovation based on data analysis, consumer insights, and portfolio diversification into alternative beverage options. For the consumer seeking to reduce their beverage alcohol consumption, our recent innovations include launching a portfolio of Non-Alcoholic craft beer, sparkling waters under our Liquid Love brand, and clean label energy drinks fortified with vitamins. Our other innovative products include Hemp Derived Delta-9 (HD-D9) beverages. Although new U.S. federal legislation was recently enacted that will restrict the production and sale of our HD-D9 beverages beginning in November 2026, we believe that new regulations could evolve prior to that date to permit continued sales of HD-D9 beverages under the recent executive order directing the U.S. rescheduling of cannabis products. These strategic innovations underscore our commitment to offering high-quality options across a diverse range of beverage categories, positioning us for sustained growth by meeting consumer demand and differentiation in the competitive beverage segment.
- *Brew Pubs.* We currently operate 17 brew pubs, including our Breckenridge Distillery restaurant and tasting room, in geographic regions across the U.S. and core markets for the associated craft brands. An important part of our strategic plan for our craft beer business centers on the role that brew pubs play in promoting and showcasing the distinct, regional positioning of our various craft beer brands. They provide our consumers with a venue in which to connect with others and have an immersive brand experience which serves to enhance brand loyalty and drive immediate and long-term revenue growth. We also believe that our brew pub strategy fuels trial and innovation by allowing us to curate unique small batch product offerings in targeted test markets.

In the spirits category, Breckenridge Distillery combines premium craftsmanship, award-winning quality, and experiential tourism appeal, reinforcing its niche as a lifestyle-driven spirits brand. The distillery has earned multiple prestigious accolades across Whiskey, Gin, and Vodka, including three Icons of Whisky awards, ten Best American Blended Whiskey honors at the World Whiskies Awards, and recognition as Colorado Distillery of the Year. Recent achievements include Breckenridge Reserve Port Cask Finish being named the World's Best Finished Bourbon at the 2024 World Whiskies Awards. Breckenridge Distillery products are available in all 50 states, with continued planned expansion and product innovations. Recent launches include Mock One – a non-alcoholic spirits line, Mountain Shot – flavored whiskey in convenient pouches, and Casa Breck Tequila, all underscoring our commitment to innovation and evolving consumer preferences. Despite prevailing challenges within the overall spirits market, we believe our focus on whiskey—a resilient segment—combined with our award-winning portfolio and innovative product introductions, positions Breckenridge Distillery for sustained growth and enhanced 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 decrease in market share in Canada from 9.4% to 9.3% from the immediately preceding quarter as reported by Hifyre data for all provinces, excluding Quebec where Weedcrawler was deemed more accurate. The current period decrease in market share reflects our strength in flower and non-infused pre-roll categories which was offset by 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 well-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.

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 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 with sights on growing our portfolio to extracts and other formats.

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.

Luxembourg. Luxembourg established its medical cannabis framework in 2018, with the national program operational since February 2019. Medical cannabis is tightly regulated, accessible only through trained physicians and dispensed exclusively via hospital pharmacies. Prescriptions are limited to patients with defined, severe medical conditions, and all treatments are covered by public health insurance. In January 2025, Luxembourg updated its regulations to phase-out high-THC flower products, now permitting only balanced or high-CBD flower and oil-based extracts. This shift reflects the government’s commitment to standardized, pharmaceutical-grade cannabis therapies and patient safety. Tilray Deutschland GmbH was awarded the official government tender in 2025 to supply medical cannabis flower, demonstrating our leadership in centralized procurement and compliance with Luxembourg’s rigorous standards.

Portugal. Portugal legalized medical cannabis in July 2018. The regulatory framework is overseen by INFARMED, requiring Market Placement Authorization (ACM) for all non-pharmaceutical cannabis products, with strict GACP and GMP compliance. While domestic patient access remains limited due to stringent product approvals and the absence of public reimbursement, Portugal has emerged as a leading European producer and exporter of medical cannabis, supplying high-value markets such as Germany, Poland, and Australia. In 2021, Tilray received the first Authorization for Placement on the Market for dried flower, with additional product approvals in 2024, reinforcing our pioneering role in Portugal’s medical cannabis sector. Our strategic investments in cultivation and manufacturing, combined with robust compliance and documentation standards, enable Tilray to deliver EU-GMP quality products to both domestic and international markets. As Portugal explores adult-use reform, Tilray’s established reputation and operational excellence position us to capitalize on future regulatory developments and market expansion.

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. Within our Ingredients sales business, we have expanded our range of offerings in hemp protein and hemp oil, helping us further develop our business in North America and Asia.

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 six months ended November 30, 2025, we incurred \$1.0 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 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 due to lack of focus and in need of investment in order to promote growth, all at a significantly reduced purchase 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 optimization/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 optimization/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 margin and faster growing SKUs, as well as the introduction of new innovation, which we expect will accelerate our revenue growth in future quarters.
- *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 these “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 distributors' 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 November 30, 2025, we have achieved \$27.2 million of those savings to date. We expect to complete the synergy optimization plan in the fourth 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 re-establish 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.

In addition, U.S. federal regulatory developments regarding cannabis rescheduling represent a significant shift in the political and legislative environment. This regulatory evolution is expected to create a more credible framework for medical cannabis research, clinical development, and compliance, aligning with Tilray's established global expertise in regulated medical cannabis markets; although, there are no assurances whether such rescheduling will be implemented as and when anticipated. The Company intends to leverage its proven compliance infrastructure, scientific knowledge, and operational scale to expand responsibly in the U.S. market, introducing medical-grade cannabis products in targeted therapeutic formats. While these developments present significant long-term growth opportunities, they also introduce new regulatory complexities and potential risks that we will continue to monitor closely.

Reverse Stock Split

Effective December 2, 2025, we implemented a Reverse Stock Split of our outstanding shares of Common Stock, at a ratio of one-for-ten.

No fractional shares were issued in connection with the Reverse Stock Split. Fractional shares resulting from the Reverse Stock Split were rounded down to the nearest whole share and stockholders received cash in lieu of any fractional shares that were created by the Reverse Stock Split. Each stockholder's percentage ownership interest in the Company and proportional voting power remained unchanged as a result of the Reverse Stock Split, except for adjustments that resulted from rounding fractional shares down to whole shares.

All issued and outstanding Common Stock, per share amounts, and outstanding equity instruments and awards exercisable into Common Stock contained in the condensed interim consolidated financial statements of the Company and notes thereto have been retroactively adjusted to reflect the Reverse Stock Split for all current and prior periods presented.

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				For the six months ended			
	November 30,	November 30,	Change	%	November 30,	November 30,	Change	%
	2025	2024			2025	2024		
			2025 vs. 2024				2025 vs. 2024	
Net revenue	\$ 217,507	\$ 210,950	\$ 6,557	3%	\$ 427,008	\$ 410,994	\$ 16,014	4%
Cost of goods sold	160,010	149,730	10,280	7%	312,042	290,068	21,974	8%
Gross profit	57,497	61,220	(3,723)	(6)%	114,966	120,926	(5,960)	(5)%
Operating expenses:								
General and administrative	51,175	45,997	5,178	11%	92,228	90,110	2,118	2%
Selling	11,781	16,162	(4,381)	(27)%	24,704	27,852	(3,148)	(11)%
Amortization	4,358	22,927	(18,569)	(81)%	8,287	44,731	(36,444)	(81)%
Marketing and promotion	9,981	9,720	261	3%	20,136	21,286	(1,150)	(5)%
Research and development	78	60	18	30%	119	165	(46)	(28)%
Change in fair value of contingent consideration	—	—	—	NM	(15,000)	—	(15,000)	NM
Litigation costs, net of	869	901	(32)	(4)%	1,876	2,496	(620)	(25)%

recoveries								
Restructuring costs	965	6,869	(5,904)	(86)%	1,834	11,116	(9,282)	(84)%
Transaction costs								
(income), net	569	802	(233)	(29)%	969	1,958	(989)	(51)%
Total operating expenses	79,776	103,438	(23,662)	(23)%	135,153	199,714	(64,561)	(32)%
Operating loss	(22,279)	(42,218)	19,939	(47)%	(20,187)	(78,788)	58,601	(74)%
Interest expense, net	(5,374)	(7,766)	2,392	(31)%	(12,070)	(17,608)	5,538	(31)%
Non-operating								
(expense) income, net	(12,310)	(33,255)	20,945	(63)%	(8,478)	(20,609)	12,131	(59)%
Loss before income taxes	(39,963)	(83,239)	43,276	(52)%	(40,735)	(117,005)	76,270	(65)%
Income tax expense								
(recovery), net	3,546	2,036	1,510	74%	1,261	2,922	(1,661)	(57)%
Net loss	<u>\$ (43,509)</u>	<u>\$ (85,275)</u>	<u>\$ 41,766</u>	<u>(49)%</u>	<u>\$ (41,996)</u>	<u>\$ (119,927)</u>	<u>\$ 77,931</u>	<u>(65)%</u>

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		For the six months ended	
	November 30, 2025	November 30, 2024	November 30, 2025	November 30, 2024
Net beverage revenue	\$ 50,083	\$ 63,081	\$ 105,822	\$ 119,053
Net cannabis revenue	67,532	65,652	132,043	126,901
Distribution revenue	85,316	67,611	159,323	135,682
Wellness revenue	14,576	14,606	29,820	29,358
Beverage costs	34,351	37,925	68,764	70,975
Cannabis costs	41,398	42,475	82,639	79,529
Distribution costs	74,334	59,207	140,342	119,345
Wellness costs	9,927	10,123	20,297	20,219
Adjusted gross profit (excluding PPA step-up) (1)	57,497	62,596	114,966	122,477
Beverage adjusted gross margin (excluding PPA step-up) (1)	31%	42%	35%	42%
Cannabis adjusted gross margin (excluding PPA step-up) (1)	39%	35%	37%	37%
Distribution gross margin	13%	12%	12%	12%
Wellness gross margin	32%	31%	32%	31%
Adjusted EBITDA (1)	\$ 8,365	\$ 9,017	\$ 18,546	\$ 18,351
Cash and marketable securities (1) as at the period ended:	291,551	252,249	291,551	252,249
Working capital as at the period ended:	\$ 470,002	\$ 428,815	\$ 470,002	\$ 428,815

⁽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 and six months ended November 30, 2025 and November 30, 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				For the six months ended			
	November 30, 2025	November 30, 2024	Change	% Change	November 30, 2025	November 30, 2024	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
Beverage business	\$ 50,083	\$ 63,081	\$ (12,998)	(21)%	\$ 105,822	\$ 119,053	\$ (13,231)	(11)%
Cannabis business	67,532	65,652	1,880	3%	132,043	126,901	5,142	4%
Distribution business	85,316	67,611	17,705	26%	159,323	135,682	23,641	17%
Wellness business	14,576	14,606	(30)	(0)%	29,820	29,358	462	2%
Total net revenue	<u>\$ 217,507</u>	<u>\$ 210,950</u>	<u>\$ 6,557</u>	<u>3%</u>	<u>\$ 427,008</u>	<u>\$ 410,994</u>	<u>\$ 16,014</u>	<u>4%</u>

For the three and six months ended November 30, 2025 and November 30, 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				For the six months ended as reported in constant currency			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
Beverage business	\$ 50,083	\$ 63,081	\$ (12,998)	(21)%	\$ 105,822	\$ 119,053	\$ (13,231)	(11)%
Cannabis business	67,486	65,652	1,834	3%	131,535	126,901	4,634	4%
Distribution business	79,961	67,611	12,350	18%	149,667	135,682	13,985	10%
Wellness business	14,734	14,606	128	1%	30,015	29,358	657	2%
Total net revenue	\$ 212,264	\$ 210,950	\$ 1,314	1%	\$ 417,039	\$ 410,994	\$ 6,045	1%

For the three and six months ended November 30, 2025 and November 30, 2024, respectively, our geographic net revenue was as follows:

(in thousands of U.S. dollars)	For the three months ended				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
USA	\$ 57,838	\$ 71,753	\$ (13,915)	(19)%	\$ 121,799	\$ 135,633	\$ (13,834)	(10)%
Canada	54,173	56,720	(2,547)	(4)%	112,340	112,625	(285)	(0)%
EMEA	103,155	79,254	23,901	30%	188,408	156,926	31,482	20%
Rest of World	2,341	3,223	(882)	(27)%	4,461	5,810	(1,349)	(23)%
Total net revenue	\$ 217,507	\$ 210,950	\$ 6,557	3%	\$ 427,008	\$ 410,994	\$ 16,014	4%

For the three and six months ended November 30, 2025 and November 30, 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				For the six months ended as reported in constant currency			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
USA	\$ 57,838	\$ 71,753	(13,915)	(19)%	\$ 121,799	\$ 135,633	(13,834)	(10)%
Canada	55,413	56,720	(1,307)	(2)%	113,849	112,625	1,224	1%
EMEA	96,391	79,254	17,137	22%	176,399	156,926	19,473	12%
Rest of World	2,622	3,223	(601)	(19)%	4,992	5,810	(818)	(14)%
Total net revenue	\$ 212,264	\$ 210,950	\$ 1,314	1%	\$ 417,039	\$ 410,994	\$ 6,045	1%

As of November 30, 2025 and May 31, 2025, respectively, our geographic capital assets were as follows:

(in thousands of U.S. dollars)	November 30, 2025	May 31, 2025	Change 2025 vs. 2024	% Change
USA	\$ 193,897	\$ 200,003	\$ (6,106)	(3)%
Canada	253,515	267,458	(13,943)	(5)%
EMEA	98,446	97,371	1,075	1%
Rest of World	4,243	3,601	642	18%
Total capital assets	\$ 550,101	\$ 568,433	\$ (18,332)	(3)%

Beverage revenue

Net revenue from our Beverage segment decreased to \$50.1 million and to \$105.8 million for the three and six months ended November 30, 2025, compared to revenue of \$63.1 million and \$119.1 million for the prior year periods. The decline in revenue was primarily driven by continued category challenges within the craft beer segment and competitive pressures. Additionally, our portfolio optimization efforts under Project 420, which include SKU rationalization and margin-focused initiatives, contributed to the year-over-year decrease.

For the six month period ended November 30, 2025, these impacts were partially offset by the inclusion of sales from Craft Acquisition II, effective September 1, 2024, which were not reflected in the full prior-year comparative period.

Cannabis revenue

For the three and six months ended November 30, 2025 and November 30, 2024, respectively, cannabis net revenue based on market channel was as follows:

(in thousands of US dollars)	For the three months ended				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024			2025	2024		
			2025 vs. 2024		2025	2024	2025 vs. 2024	
Revenue from Canadian medical cannabis	\$ 6,234	\$ 6,673	\$ (439)	(7)%	\$ 12,380	\$ 12,934	\$ (554)	(4)%
Revenue from Canadian adult-use cannabis	62,448	59,077	3,371	6%	126,515	116,312	10,203	9%
Revenue from wholesale cannabis	1,346	6,593	(5,247)	(80)%	5,501	12,100	(6,599)	(55)%
Revenue from international cannabis	20,180	14,865	5,315	36%	33,547	27,056	6,491	24%
Total cannabis revenue	90,208	87,208	3,000	3%	177,943	168,402	9,541	6%
Excise taxes	(22,676)	(21,556)	(1,120)	5%	(45,900)	(41,501)	(4,399)	11%
Total cannabis net revenue	<u>\$ 67,532</u>	<u>\$ 65,652</u>	<u>\$ 1,880</u>	<u>3%</u>	<u>\$ 132,043</u>	<u>\$ 126,901</u>	<u>\$ 5,142</u>	<u>4%</u>

For the three and six months ended November 30, 2025 and November 30, 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				For the six months ended as reported in constant currency			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024			2025	2024		
			2025 vs. 2024		2025	2024	2025 vs. 2024	
Revenue from Canadian medical cannabis	\$ 6,380	\$ 6,673	\$ (293)	(4)%	\$ 12,554	\$ 12,934	\$ (380)	(3)%
Revenue from Canadian adult-use cannabis	63,877	59,077	4,800	8%	128,236	116,312	11,924	10%
Revenue from wholesale cannabis	1,373	6,593	(5,220)	(79)%	5,546	12,100	(6,554)	(54)%
Revenue from international cannabis	19,053	14,865	4,188	28%	31,727	27,056	4,671	17%
Total cannabis revenue	90,683	87,208	3,475	4%	178,063	168,402	9,661	6%
Excise taxes	(23,197)	(21,556)	(1,641)	8%	(46,528)	(41,501)	(5,027)	12%
Total cannabis net revenue	<u>\$ 67,486</u>	<u>\$ 65,652</u>	<u>\$ 1,834</u>	<u>3%</u>	<u>\$ 131,535</u>	<u>\$ 126,901</u>	<u>\$ 4,634</u>	<u>4%</u>

(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 \$6.2 million and to \$12.4 million for the three and six months ended November 30, 2025 compared to gross revenue of \$6.7 million and \$12.9 million for the prior year periods, respectively. On a constant currency basis, gross revenue from Canadian medical cannabis decreased to \$6.4 million and to \$12.6 million for the three and six months ended November 30, 2025, respectively. 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 and six months ended November 30, 2025, our gross revenue from Canadian adult-use cannabis increased to \$62.4 million and to \$126.5 million, compared to gross revenue of \$59.1 million and \$116.3 million for the prior year periods, respectively. On a constant currency basis, our gross revenue from Canadian adult-use cannabis increased to \$63.9 million and increased to \$128.2 million for the three and six months ended November 30, 2025, respectively. 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, including the decision to restart cultivation in our Quebec facility, 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 and wholesale cannabis revenue in future periods while we scale up our infrastructure.

Wholesale cannabis revenue: Gross revenue from wholesale cannabis decreased to \$1.3 million and to \$5.5 million and for the three and six months ended November 30, 2025, compared to gross revenue of \$6.6 million and \$12.1 million for the prior year periods respectively. On a constant currency basis, gross revenue from wholesale cannabis decreased to \$1.4 million and decreased to \$5.5 million for the three and six months ended November 30, 2025, respectively. 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 the three and six month periods ended November 30, 2025, our wholesale cannabis revenue was lower than the prior year comparative periods 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 \$20.2 million and to \$33.5 million for the three and six months ended November 30, 2025, compared to net revenue of \$14.9 million and \$27.1 million for the prior year periods, respectively. 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 \$19.1 million and to \$31.7 million for the three and six months ended November 30, 2025, respectively. The increase in net revenue from International cannabis markets during the three and six months ended November 30, 2025, was attributed to growth in the German medical cannabis market, receipt of previously backlogged permits and expansion into emerging medical markets. 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. Notably, International cannabis revenue in the first fiscal quarter ended August 31, 2025, was temporarily reduced due to permit-related delays. As these delays were resolved, revenue levels in the second fiscal quarter ended November 30, 2025, which were consistent with those achieved in the fourth fiscal quarter ended May 31, 2025, of the prior fiscal year, are more indicative of our expected ongoing run rate than the lower revenue realized in the first quarter.

Distribution revenue

Net revenue from our Distribution segment increased to \$85.3 million and increased to \$159.3 million for the three and six months ended November 30, 2025, compared to revenue of \$67.6 million and \$135.7 million for the prior year periods, respectively. 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 \$80.0 million and to \$149.7 million for the three and six months ended November 30, 2025, respectively. The increase in distribution revenue in the period was driven by a focus on competitive pricing, prioritizing high velocity SKUs and the favorable impacts of foreign exchange.

Wellness revenue

Our Wellness segment net revenue remained consistent at \$14.6 million and increased to \$29.8 million for the three and six months ended November 30, 2025 compared to \$14.6 million and \$29.4 million from the prior year periods, respectively. On a constant currency basis for the three and six months ended November 30, 2025, Wellness segment net revenue increased to \$14.7 million and to \$30.0 million, respectively. The increase in revenue was driven by our strategic focus on value-add innovations, including high protein super-seeds, better-for-you breakfast products, better-for-you snacking, and the continued success of our Hi-Ball clean energy drinks. Additionally, there was continued growth experienced in the ingredient channel as a result of new customer acquisitions. These trends were partially offset by challenges in the club retailer channel, which we are actively addressing through targeted initiatives.

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

For the three and six months ended November 30, 2025 and November 30, 2024, respectively, our gross profit and gross margin were as follows:

(in thousands of U.S. dollars)	For the three months ended				For the six months ended			
	November 30, 2025	November 30, 2024	Change 2025 vs. 2024	% Change	November 30, 2025	November 30, 2024	Change 2025 vs. 2024	% Change
Beverage								
Net revenue	\$ 50,083	\$ 63,081	\$(12,998)	(21)%	\$ 105,822	\$ 119,053	\$(13,231)	(11)%
Cost of goods sold	34,351	37,925	(3,574)	(9)%	68,764	70,975	(2,211)	(3)%
Gross profit	15,732	25,156	(9,424)	(37)%	37,058	48,078	(11,020)	(23)%
Gross margin	31%	40%	(9)%	(23)%	35%	40%	(5)%	(13)%
Purchase price accounting step-up	—	1,376	(1,376)	(100)%	—	1,551	(1,551)	(100)%
Adjusted gross profit (1)	15,732	26,532	(10,800)	(41)%	37,058	49,629	(12,571)	(25)%
Adjusted gross margin (1)	31%	42%	(11)%	(26)%	35%	42%	(7)%	(17)%
Cannabis								
Net revenue	67,532	65,652	1,880	3%	132,043	126,901	5,142	4%
Cost of goods sold	41,398	42,475	(1,077)	(3)%	82,639	79,529	3,110	4%
Gross profit	26,134	23,177	2,957	13%	49,404	47,372	2,032	4%
Gross margin	39%	35%	4%	11%	37%	37%	0%	0%
Distribution								
Net revenue	85,316	67,611	17,705	26%	159,323	135,682	23,641	17%
Cost of goods sold	74,334	59,207	15,127	26%	140,342	119,345	20,997	18%
Gross profit	10,982	8,404	2,578	31%	18,981	16,337	2,644	16%
Gross margin	13%	12%	1%	8%	12%	12%	0%	0%
Wellness								
Net revenue	14,576	14,606	(30)	(0)%	29,820	29,358	462	2%
Cost of goods sold	9,927	10,123	(196)	(2)%	20,297	20,219	78	0%
Gross profit	4,649	4,483	166	4%	9,523	9,139	384	4%
Gross margin	32%	31%	1%	3%	32%	31%	1%	3%
Total								
Net revenue	217,507	210,950	6,557	3%	427,008	410,994	16,014	4%
Cost of goods sold	160,010	149,730	10,280	7%	312,042	290,068	21,974	8%
Gross profit	57,497	61,220	(3,723)	(6)%	114,966	120,926	(5,960)	(5)%
Gross margin	26%	29%	(3)%	(10)%	27%	29%	(2)%	(7)%
Purchase price accounting step-up	—	1,376	(1,376)	(100)%	—	1,551	(1,551)	(100)%
Adjusted gross profit (1)	57,497	62,596	(5,099)	(8)%	114,966	122,477	(7,511)	(6)%
Adjusted gross margin (1)	26%	30%	(4)%	(13)%	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) for each segment 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 and six months ended November 30, 2025, our beverage segment generated gross margin of 31% and 35%, respectively, which decreased from 40% and 40% generated in the prior year periods, respectively. Adjusted gross margin was 31% and 35%, which decreased from 42% and 42% generated in the prior year periods, respectively. The change in the beverage gross margin and adjusted beverage gross margin for the three and six months ended November 30, 2025 was driven by several factors, including our Craft Acquisition II, which historically has operated at a lower gross margin, declining overhead utilization as our revenue levels have declined, and timing delays in realizing the full benefits of our Project 420 cost savings initiatives.

Cannabis gross margin: For the three and six months ended November 30, 2025, our cannabis segment generated gross margin of 39% and 37%, respectively, which increased from 35% and remained consistent at 37% generated in the prior year periods, respectively. The change in gross margin for the three and six months ended November 30, 2025 was driven by a higher proportion of our sales being generated from international markets which has higher margins and lower participation in Canadian wholesale markets which generates lower margins. These favorable impacts were offset by our increased participation in lower margin product categories in the Canadian adult-use cannabis market, as we continue to optimize our cost structure to eliminate negative margins in price competitive categories.

Distribution gross margin: For the three and six months ended November 30, 2025, our distribution segment generated gross margin of 13% and 12%, respectively, which increased from 12% and remained consistent at 12% generated in the prior year periods, respectively, which was attributed to a change in product mix combined with foreign exchange rate improvements, as well as initiatives undertaken to reduce input costs.

Wellness gross margin: For the three and six months ended November 30, 2025, our wellness segment generated gross margin of 32% and 32%, respectively, which increased from 31% and 31% in the prior year periods, respectively, as a result of a change in product mix.

Operating expenses

During the three and six months ended November 30, 2025 and November 30, 2024, respectively, the changes in operating expenses were as follows:

(in thousands of US dollars)	For the three months ended				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
General and administrative	\$ 51,175	\$ 45,997	\$ 5,178	11%	\$ 92,228	\$ 90,110	\$ 2,118	2%
Selling	11,781	16,162	(4,381)	(27)%	24,704	27,852	(3,148)	(11)%
Amortization	4,358	22,927	(18,569)	(81)%	8,287	44,731	(36,444)	(81)%
Marketing and promotion	9,981	9,720	261	3%	20,136	21,286	(1,150)	(5)%
Research and development	78	60	18	30%	119	165	(46)	(28)%
Change in fair value of contingent consideration	—	—	—	NM	(15,000)	—	(15,000)	NM
Litigation costs, net of recoveries	869	901	(32)	(4)%	1,876	2,496	(620)	(25)%
Restructuring costs	965	6,869	(5,904)	(86)%	1,834	11,116	(9,282)	(84)%
Transaction costs (income), net	569	802	(233)	(29)%	969	1,958	(989)	(51)%
Total operating expenses	<u>\$ 79,776</u>	<u>\$ 103,438</u>	<u>\$ (23,662)</u>	<u>(23)%</u>	<u>\$ 135,153</u>	<u>\$ 199,714</u>	<u>\$ (64,561)</u>	<u>(32)%</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 and six months ended November 30, 2025, operating expenses decreased by \$23.7 million and by \$64.6 million to \$79.8 million and \$135.2 million when compared to \$103.4 million and \$199.7 for the prior year periods, respectively. 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 costs, as well as selling costs.

General and administrative costs

During the three and six months ended November 30, 2025 and November 30, 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				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
Salaries and wages	\$ 24,764	\$ 22,726	\$ 2,038	9%	\$ 46,500	\$ 44,293	\$ 2,207	5%
Office and general	8,284	9,458	(1,174)	(12)%	16,981	18,718	(1,737)	(9)%
Stock-based compensation	12,283	7,237	5,046	70%	17,335	14,154	3,181	22%
Insurance	2,456	3,155	(699)	(22)%	4,849	5,610	(761)	(14)%
Professional fees	1,034	1,126	(92)	(8)%	2,252	2,304	(52)	(2)%
Gain on sale of capital assets	(134)	(505)	371	(73)%	(375)	(531)	156	(29)%
Travel and accommodation	1,292	1,754	(462)	(26)%	2,604	3,247	(643)	(20)%
Rent	1,196	1,046	150	14%	2,082	2,315	(233)	(10)%
Total general and administrative costs	\$ 51,175	\$ 45,997	\$ 5,178	11%	\$ 92,228	\$ 90,110	\$ 2,118	2%

Salaries and wages increased by 9% and by 5% during the three and six months ended November 30, 2025 when compared to the prior year periods, respectively. The increase during the three and six months ended November 30, 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 first quarter and as a result of changes in estimates related to timing of compensation accruals. In addition, included in the six month period ended November 30, 2025, was \$1.8 million of retention payments compared to \$1.7 million in the prior year six month period ended November 30, 2024.

Office and general decreased by 12% and by 9% during the three and six months ended November 30, 2025 when compared to the prior year period respectively. The decrease was driven by our ongoing cost saving initiatives despite the inclusion of costs from our Craft Acquisition II, which was effective as of September 1, 2024.

The Company recognized stock-based compensation expense of \$12.3 million and \$17.3 million for the three and six months ended November 30, 2025 compared to \$7.2 million and \$14.2 million for the prior year period respectively. 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 and six months ended November 30, 2025, stock-based compensation increased as a result of the recognition of expenses related to the performance-based grants following the establishment of their performance criteria during the fiscal quarter.

Insurance expense decreased by 22% and decreased by 14% for the three and six months ended November 30, 2025 to \$2.5 million and \$4.8 million from \$3.2 million and \$5.6 million for the prior year period respectively due to lower premiums as a result of management's decision to self-insure a portion of our property and casualty insurance.

Rent expense increased by 14% and decreased by 10% for the three and six months ended November 30, 2025 to \$1.2 million and \$2.1 million compared to \$1.0 million and \$2.3 million for the prior year periods, respectively. Rent expense is predominantly comprised of operating lease expenses for our brew pubs and office spaces and varies period-over-period based on lease amortization schedules and common area maintenance costs.

Selling costs

For the three and six months ended November 30, 2025, the Company incurred selling costs of \$11.8 million or 5% of net revenue and \$24.7 million or 6% of net revenue as compared to \$16.2 million or 8% of net revenue and \$27.9 million or 7% of net revenue in the prior year period respectively. 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 decrease in selling costs for the three and six months ended November 30, 2025 is from the lower freight costs incurred in the beverage segment as a result of Project 420 cost saving initiatives and lower commission rates experienced in the Canadian cannabis sales channels.

Amortization

The Company incurred non-production related amortization charges of \$4.4 million and \$8.3 million for the three and six months ended November 30, 2025, compared to \$22.9 million and \$44.7 million in the prior year periods respectively 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 and six months ended November 30, 2025, the Company incurred marketing and promotion costs of \$10.0 million and \$20.1 million compared to \$9.7 million and \$21.3 million for the prior year periods, respectively and was driven by variability in discretionary marketing spend.

Research and development

Research and development costs were \$0.1 million and \$0.1 million during the three and six months ended November 30, 2025, compared to \$0.1 million and \$0.2 million in the prior year periods, respectively. These cost relate to external expenditures 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 six months ended November 30, 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 and six months ended November 30, 2025, the Company recorded \$0.9 million and \$1.9 million of litigation settlements costs and third-party fees incurred in defending these claims, net of favorable recoveries compared to \$0.9 million and \$2.5 million in the prior year period respectively. The increase 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 \$1.0 million and \$1.8 million for the three and six months ended November 30, 2025, compared to \$6.9 million and \$11.1 million for the prior year period respectively. 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 six months ended November 30, 2025, the Company incurred restructuring-related expenses totaling \$1.8 million. These charges included \$0.7 million associated with the restructuring of the Quebec facility to transition from vegetable cultivation to cannabis cultivation in response to increased global cannabis demand, \$0.8 million related to employee termination severance and benefits associated with the reorganization of the Canadian cannabis commercial function, and \$0.2 million related to the wind-down of certain non-operating entities. Additionally, the Company recognized \$0.1 million related to its Fort Collins, CO partially vacant warehouse recorded under assets held of sale. See Note 3 (capital assets).

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 \$4.6 million was recognized in the six months ended November 30, 2025 thereby, reducing the accrual to \$3.9 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 and six months ended November 30, 2025, transaction (income) costs, decreased by 29% to \$0.6 million and \$1.0 million, and decreased by 51% to \$0.8 million and \$2.0 million from the three and six months ended November 30, 2024, respectively. This decrease was due to the fact that we incurred higher costs in the prior year period in connection with Craft Acquisition II.

Non-operating (expense) income, net

During the three and six months ended November 30, 2025 and November 30, 2024, respectively, the changes in non-operating (expense), income were comprised of:

(in thousands of US dollars)	For the three months ended				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024			2025	2024		
			2025 vs. 2024				2025 vs. 2024	
Change in fair value of warrant liability	175	862	(687)	(80)%	(3,495)	1,558	(5,053)	(324)%
Foreign exchange gain (loss)	(10,327)	(33,797)	23,470	(69)%	(3,399)	(21,916)	18,517	(84)%
Loss on long-term investments	(345)	(27)	(318)	1,178%	(306)	(66)	(240)	364%
Unrealized loss on digital assets	(164)	—	(164)	NM	(172)	—	(172)	NM
Other non-operating (losses) gains, net	(1,649)	(293)	(1,356)	463%	(1,106)	(185)	(921)	498%
Total non-operating income (expense)	<u>\$ (12,310)</u>	<u>\$ (33,255)</u>	<u>\$ 20,945</u>	<u>(63)%</u>	<u>\$ (8,478)</u>	<u>\$ (20,609)</u>	<u>\$ 12,131</u>	<u>(59)%</u>

For the three and six months ended November 30, 2025, the Company recognized a gain on the change in fair value of its warrants of \$0.2 million and a loss of \$3.5 million, compared to a gain of \$0.9 million and \$1.6 million in the prior year periods, as a result of the change in our share price and the exercise price of the warrants. For the three and six months ended November 30, 2025, the Company recognized a loss of \$10.3 million and \$3.4 million resulting from the changes in foreign exchange rates during the period compared to a loss of \$33.8 million and \$21.9 million for the prior year periods. For the three and six months ended November 30, 2025, the Company recognized a loss of \$0.3 million and \$0.3 million on long-term investments compared to a loss of \$0.0 million and \$0.1 million for the prior year periods. For the three and six months ended November 30, 2025, the Company recognized a loss of \$0.2 million and \$0.2 million on digital assets from the unrealized change in fair value of Bitcoin compared to \$nil and \$nil million for the prior year periods. The other non-operating (losses) gains, net were loss of \$1.6 million and \$1.1 million for the three and six months ended November 30, 2025, compared to a loss of \$0.3 million and \$0.2 million for the prior year periods, and was mainly comprised of a loss of \$1.8 million on the change in fair value of assets held for sale related to Fort Collins, CO partially vacant warehouse, as described in Note 3 (capital assets), offset by a 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 and six months ended November 30, 2025, adjusted EBITDA decreased to \$8.4 million and increased to \$18.5 million compared to \$9.0 million and \$18.4 million for the prior year periods and remained relatively consistent as we continue to execute on our strategic plan.

Adjusted EBITDA reconciliation:	For the three months ended				For the six months ended			
	November 30,	November 30,	Change	% Change	November 30,	November 30,	Change	% Change
	2025	2024	2025 vs. 2024		2025	2024	2025 vs. 2024	
Net loss	\$ (43,509)	\$ (85,275)	\$ 41,766	(49)%	\$ (41,996)	\$ (119,927)	\$ 77,931	(65)%
Income tax expense (recovery), net	3,546	2,036	1,510	74%	1,261	2,922	(1,661)	(57)%
Interest expense, net	5,374	7,766	(2,392)	(31)%	12,070	17,608	(5,538)	(31)%
Non-operating income (expense), net	12,310	33,255	(20,945)	(63)%	8,478	20,609	(12,131)	(59)%
Amortization	15,958	34,050	(18,092)	(53)%	31,519	65,864	(34,345)	(52)%
Stock-based compensation	12,283	7,237	5,046	70%	17,335	14,154	3,181	22%
Change in fair value of contingent consideration	—	—	—	NM	(15,000)	—	(15,000)	NM
Project 420 business optimization	—	—	—	NM	200	—	200	NM
Purchase price accounting step-up	—	1,376	(1,376)	(100)%	—	1,551	(1,551)	(100)%
Litigation costs, net of recoveries	869	901	(32)	(4)%	1,876	2,496	(620)	(25)%
Restructuring costs	965	6,869	(5,904)	(86)%	1,834	11,116	(9,282)	(84)%
Transaction costs (income), net	569	802	(233)	(29)%	969	1,958	(989)	(51)%
Adjusted EBITDA	<u>\$ 8,365</u>	<u>\$ 9,017</u>	<u>\$ (652)</u>	<u>(7)%</u>	<u>\$ 18,546</u>	<u>\$ 18,351</u>	<u>\$ 195</u>	<u>1%</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, marketable securities and digital assets 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, Bitcoin digital assets 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, high grade corporate bonds 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 through an at-the-market equity program ("ATM Program"). During the three and six months ended November 30, 2025, the Company issued 6,777,224 shares under the ATM Program generating gross proceeds of \$76.6 million. The Company paid \$3.5 million in commissions and other fees associated with these issuances generating net proceeds of \$73.1 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 November 30, 2025, the ATM program was completed.

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		For the six months ended	
	November 30, 2025	November 30, 2024	November 30, 2025	November 30, 2024
Net cash provided by (used in) operating activities	\$ (8,537)	\$ (40,724)	\$ (9,878)	\$ (76,031)
Net cash provided by (used in) investing activities	(58,005)	(10,725)	(33,538)	(60,120)
Net cash provided by financing activities	48,100	38,203	67,948	98,793
Effect on cash of foreign currency translation	317	(2,242)	505	(1,284)
Cash and cash equivalents, beginning of period	264,828	\$ 205,186	221,666	228,340
Cash and cash equivalents, end of period	\$ 246,703	\$ 189,698	\$ 246,703	\$ 189,698
Marketable securities	44,848	62,551	44,848	62,551
Cash and marketable securities ⁽¹⁾	\$ 291,551	\$ 252,249	\$ 291,551	\$ 252,249

(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 (\$8.5) million and (\$9.9) million for three and six months ended November 30, 2025, compared to (\$40.7) million and (\$76.0) million for the prior year periods. The prior year periods were impacted by the integration of Craft Acquisition I, which required working capital investments and have now normalized.

Cash flows from investing activities

The change in net cash provided by (used in) investing activities was (\$58.0) million and (\$33.5) million for three and six months ended November 30, 2025, compared to (\$10.7) million and (\$60.1) million for the prior year periods, and was a result of the change in investments in marketable securities in the current periods and that Craft Acquisition II occurred in the prior year period.

Cash flows from financing activities

The change in cash provided by financing activities was \$48.1 million and \$67.9 million for three and six months ended November 30, 2025, compared to \$38.2 million and \$98.8 million for the prior year periods primarily due to variability in funds provided under the ATM Program.

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.