TD Cowen
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Cannabis

Cannara Biotech

TD SECURITIES INC. - CANADA

July 15, 2026

Price: C$1.90 (07/14/2026)
Price Target: C$3.25

BUY (1)

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Key Data

Symbol	TSX: LOVE-T
Market Cap	C$187.7MM

QUICK TAKE: EARNINGS UPDATE

Q3/F26 First Look: Share Gains and EBITDA Beat Reinforce Top LP Pick View

THE TD COWEN INSIGHT

These are solid results, in our view, and reinforce LOVE as our top pure-play Canadian LP pick. Cannara continues to deliver across the key pillars of our thesis: sustained market share gains, robust consumer demand across core categories, strong momentum in higher-margin vape formats, and EBITDA margins that meaningfully exceeded expectations despite ongoing investments behind growth.

Impact: POSITIVE

Our 'positive' handle reflects the 12% adj. EBITDA beat vs. consensus, continued market share momentum, and LOVE's foothold in the Quebec vape market.

Net revenue of $31.3mm was in line with cons./modestly below TD Cowen ($31.2mm/ $33.4mm), on continued market share strength, robust product innovation, and expanded production capacity (i.e. recall that LOVE activated its 13th and 14th grow rooms in connection with its new Curaleaf supply agreement).

Adj. EBITDA of $8.5mm was 12%/5% ahead of cons./TD Cowen ($7.6mm/$8.1mm), driven by higher y/y sales volumes, disciplined cost control, and operating leverage (i.e. benefits of scaled cultivation).

We highlight the following positives as we continue to go through this morning's results:

- **(1) Consumer demand remains robust.** Strong product innovation and differentiated genetics drove strong consumer uptake across key categories. We are particularly encouraged by continued momentum in higher-margin vape formats.
- **(2) Strong market share.** The company retained its #1 recreational position in QC with 14.1% share (+140bps since F25), while national retail share reached 4.4% (+60bps since F25), largely at the expense of larger peers. **We continue to view sustained market share momentum as evidence of Cannara's differentiated genetics, product innovation, and strong consumer loyalty.**
- **(3) EBITDA margins well ahead of expectations (i.e. +~270bps vs. our estimate). This reflected disciplined opex (i.e. better-than-expected G&A/sales costs) and operating leverage.** We are encouraged by this result given that management highlighted higher incremental spend related to expanded distribution, growth initiatives, and higher G&A last quarter.

Although cannabis gross margins declined ~100bps y/y, **we believe the variance largely reflects near-term investments** in cultivation/post-processing and product mix. We expect margins to normalize (and better reflect) LOVE's strong underlying economics over time given its scale efficiencies, low-cost Quebec production, and continued operating leverage. **Importantly, gross margins also remain well above management's long-term >40% target.**

Conference call at 11am ET. Dial-in: +1 431-341-4089.

Figure 1 Q3/26 Summary Results (C$mm unless otherwise noted)

	Q3/26	Q3/25	Y/Y Change	Q3/26E	Diff. vs Exp.	Notes
Cannabis	30.3	26.4	14.9%	32.4	-6.5%	
Real Estate	1.0	1.0	4.3%	1.0	-0.7%	
Net Revenue	**31.3**	**27.3**	**14.5%**	**33.4**	**-6.3%**	**> Cons of $31.2mm (range: $29.1mm - $33.4mm)** - we were street high
Cannabis	12.6	11.2	12.2%	13.8	-8.7%	
% Margin	41.5%	42.5%	-99 bps	42.5%	-99 bps	
Real Estate	0.9	0.9	2.7%	0.9	-2.2%	
% Margin	87.9%	89.3%	-141 bps	89.3%	-141 bps	
Gross Profit before FV	**13.4**	**12.1**	**11.5%**	**14.7**	**-8.3%**	**< Cons of $13.7mm (range: $12.6mm - $14.7mm)** - we were street high
% Margin	43.0%	44.1%	-115 bps	43.9%	-92 bps	
Adj. EBITDA	**8.5**	**7.6**	**11.3%**	**8.1**	**4.0%**	**> Cons of $7.6mm (range: $6.9mm - $8.1mm)** - we were street high
% Margin	27.0%	27.8%	-77 bps	24.4%	269 bps	
Depreciation & Amortization	1.6	1.3	28.8%	1.3	22.7%	
Net Finance Expense	0.5	1.0	-50.1%	0.4	15.3%	
EPS (f.d.)	**$0.05**	**$0.04**	**11.8%**	**$0.04**	**11.7%**	Consensus not available

Source: Company reports, FactSet, TD Cowen

VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Cannabis:

Our valuation methodology is primarily based on a target EV/Sales valuation range applied to our next-12-month net sales forecasts in one year's time, as many comparable cannabis companies have only just started to generate positive EBITDA and/or earnings. In determining our target EV/Sales valuation range, we consider historical trading ranges as well as current and historical discounts/premiums to peers. We also consider relative expected sales growth, earnings growth, margin profile, cash flow generation, balance sheet strength, management quality, industry/earnings volatility, the recent legalization of cannabis in Canada, the short history of normalized operating conditions, our pecking order, and other factors. We backstop our EV/Sales valuation range using P/Sales and EV/EBITDA calculations and comparisons. We expect to move towards more traditional EV/EBITDA and/or P/E valuation metrics as companies establish a longer track record of profitability. Note that we value HITI, the lone Canadian retailer, using target EV/EBITDA.

Investment Risks

Cannabis:

Cannabis remains an emerging industry globally and is subject to stringent regulations. Only a handful of countries have legalized commercial sale of medical cannabis, and even fewer for recreational cannabis. Other industry headwinds include the prevalent illicit market, limited research, unclear passage to further legalization, and low insurance coverage. Looking ahead, much work and change are still needed for the industry to realize its full potential. Key risks to our cannabis price targets include: Earnings volatility; potential tightening of/changes in laws and regulations; competition from legal and illicit markets; recreational cannabis price volatility; wage inflation; input cost fluctuations; supply chain disruptions; consumer demand; supply contracts with Canadian provincial/territorial governments (for recreational cannabis); interest rates; product development delays, failures, and/or obsolescence; product liability and recalls; negative scientific/clinical findings; global expansion strategy risks; weather; foreign currency risk; share price volatility; lack of institutional ownership; ongoing litigations regarding former officer, landlord, alleged statement misrepresentations, and alleged failure to warn about certain risks of cannabis consumption.

Risks To The Price Target

No guarantee that incremental supply (i.e. ramp-up at Valleyfield) is met with anticipated long-term consumer demand in the domestic market; higher electricity rates that could make Quebec less competitive; ongoing provincial cautiousness around edible cannabis products including gummies (i.e. the Quebec government argues that some cannabis products resembling plain candy appeal to young people and increase the risk of hospitalization among the youth demographic).

ADDENDUM

Stocks Mentioned In Important Disclosures

Ticker	Company Name
LOVE-T	Cannara Biotech

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Buy (1): The stock is expected to achieve total return of +15% or more over the next 12 months

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Suspended (4): Due to evolving circumstances and potential conflicts of interest, we can no longer generate what we consider a defensible rating at the current time

Assumption: The expected total return calculation includes annual return and forecasted dividend yield

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Distribution of Ratings/Investment Banking Services (IB) as of 06/30/26

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy	868	66.92%	348	40.09%
Hold	416	32.07%	130	31.25%
Sell	13	1.00%	4	30.77%

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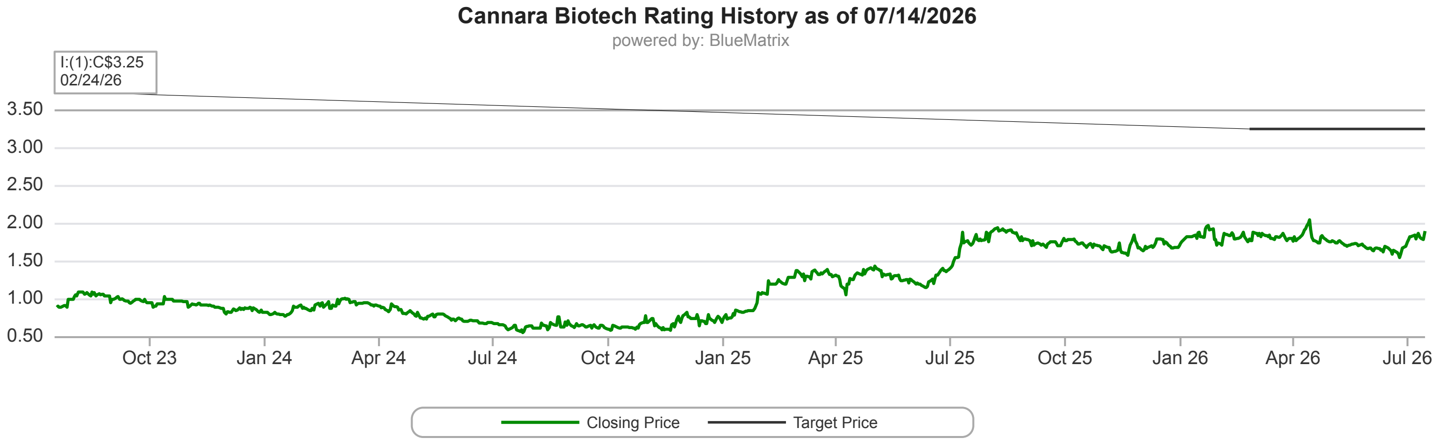

Legend for Price Chart:

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