

# High Tide Reconsiders German Cannabis Acquisition

## High Tide Reevaluates Acquisition of Purecan GmbH as It Rethinks Its Strategy for Entering Germany's Medical Marijuana Market

Canadian cannabis retailer High Tide Inc. is reconsidering its planned acquisition of Purecan GmbH, a German medical cannabis importer, after conducting due diligence on the deal. The Calgary-based company initially announced its intention to acquire a 51% stake in Purecan in a €4.8 million (\$4.9 million) cash-and-stock deal, but recent developments suggest the company may be shifting course.

While High Tide has not ruled out forming a partnership with Purecan, the company stated that it is now exploring alternative arrangements and is not guaranteed to move forward with the original deal. The decision underscores the complexities of entering Germany's highly regulated but rapidly expanding cannabis market, especially in the wake of shifting political dynamics that could affect legalization efforts.

## High Tide's Initial Plans to Expand Into Germany's Medical Cannabis Market and the Strategic Value of Purecan GmbH

On January 13, 2025, High Tide revealed its ambitious expansion strategy to tap into Germany's medical cannabis industry by acquiring a majority interest in Purecan GmbH, a Frankfurt-based cannabis wholesaler and importer. The acquisition was seen as a critical step for High Tide's international growth plans, leveraging Purecan's existing infrastructure and licenses.

The deal would have given High Tide access to Purecan's:

**European wholesale and import license** – allowing it to distribute medical cannabis across Germany and other European Union (EU) markets.

**Warehousing and logistics infrastructure** – providing a base to store and distribute cannabis products efficiently.

**Telemedicine platform** – an innovative approach to patient consultations and medical marijuana prescriptions in Germany.

Germany is one of the largest cannabis importers in the world, with nearly 50% of imports coming from Canada. Given this, High Tide saw the acquisition as a natural fit to expand its reach beyond North America and into the European medical marijuana sector.

However, the company's recent statement indicates that the initial deal structure may no longer be the best path forward, and it is now reassessing its options.

## **High Tide's Decision to Reevaluate the Deal and Why the Company Might Be Taking a More Cautious Approach**

In a Tuesday press release, High Tide confirmed that it is not proceeding with the acquisition at this time, citing a need to rethink the terms of the agreement. While the company did not specify the exact reasons for the reconsideration, there are several possible factors influencing its decision:

### **Due Diligence Findings and Financial Considerations**

High Tide has likely conducted an in-depth financial and operational analysis of Purecan, and the findings may have raised concerns. It is possible that:

The financial health of Purecan did not meet High Tide's expectations.

Regulatory risks or operational inefficiencies were discovered.

The valuation of Purecan may have been higher than what High Tide was comfortable paying.

### **Germany's Changing Political Landscape and Cannabis Regulations**

Germany's cannabis market is in a state of transition following the removal of marijuana from the country's narcotics list and the legalization of adult-use cannabis in April 2024. However, the recent election victory of conservative leader Friedrich Merz introduces uncertainty about the future of cannabis reform in the country.

Merz and his party have historically opposed cannabis legalization, and there are concerns that they may try to slow down or reverse recent reforms. If Germany's cannabis market faces political setbacks, High Tide may be reevaluating its timing and strategy for entering the country.

### **Exploring Other Entry Points into the Market**

While Purecan offers an established foothold in Germany, High Tide may now be considering alternative ways to enter the market. This could include:

Partnering with **other medical cannabis companies** in Germany.

Entering the market **organically** rather than through an acquisition.

Waiting for further **regulatory clarity** before making a major financial commitment.

High Tide has emphasized that it remains **committed to entering Germany's cannabis market**, but **how and when** it does so remains an open question.

### **Germany's Growing Medical and Recreational Cannabis Market Presents Both Opportunities and Challenges for International Companies**

Despite the recent uncertainty surrounding Germany's political climate, the country remains one of the **largest and most lucrative cannabis markets in Europe**. Key factors driving interest from international cannabis companies include:

#### **Germany's Position as a Leading Cannabis Importer**

Germany imports more medical cannabis than any other country in the EU, and **nearly half of these imports come from Canada**. This makes Germany a highly attractive market for Canadian producers looking to expand their international presence.

#### **The Impact of Adult-Use Legalization in April 2024**

Germany's recent **cannabis legalization efforts** have opened new opportunities for businesses. While full-scale commercial sales are not yet allowed, the new **"cannabis clubs" model** enables limited adult-use cannabis distribution.

This evolving framework presents a **growth opportunity** for companies that can **navigate the regulatory environment effectively**.

#### **Potential Risks from Political Opposition**

With Friedrich Merz and his conservative party gaining influence, there is **concern that Germany's cannabis policy could face resistance**. If new restrictions are introduced, it could **complicate business operations** for companies planning to expand in the German market.

#### **High Tide's Future Plans and What Comes Next for Its Global Expansion Strategy**

Even though High Tide has stepped back from its Purecan GmbH acquisition, the company has stated that it will continue exploring ways to enter Germany's cannabis industry. This suggests that:

High Tide may still **renegotiate** with Purecan under a different deal structure.

The company could **seek new partnerships** or acquisition targets in Germany.

High Tide might **delay its European expansion** to assess regulatory stability before making a final investment.

In the meantime, the company remains a key player in the global cannabis industry. High Tide trades under the ticker symbol "HITI" on both the Nasdaq and the TSX Venture Exchange, reflecting its presence in North America's public markets.

#### **High Tide's Withdrawal from the Purecan Deal Highlights the Complexities of Entering Germany's Cannabis Market**

High Tide's decision to reconsider its acquisition of Purecan GmbH signals that international cannabis expansion requires careful strategic planning. While Germany remains a prime target for global cannabis companies, regulatory shifts, political uncertainty, and due diligence findings can all impact investment decisions.

Despite stepping back from the Purecan deal, High Tide has reaffirmed its interest in the cannabis industry and may pursue alternative strategies for market entry. The company's next steps will be closely watched by investors, industry analysts, and competitors as Germany's cannabis landscape continues to evolve.

For now, the future of High Tide's presence in Germany remains uncertain, but the company's cautious approach suggests a commitment to long-term success in the European cannabis market.

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