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High Tide to Acquire Grasscity – the World’s Most Popular Online Retailer of Smoking Accessories – and the Grasscity Forums

Calgary, AB, December 12, 2018 / CNW / – High Tide Inc. (“High Tide” or the “Company”) today announced that it, through a newly-formed Dutch subsidiary named High Tide Inc. B.V., has entered into a definitive share purchase agreement and other related agreements (the “Agreements”) to acquire all of the issued and outstanding shares of two entities, SJV B.V. and SJV2 B.V. (collectively, “Grasscity”), that together operate under the name “Grasscity” (the “Transaction”). As per the terms of the Agreements, and excluding any loan repayment amounts, a total purchase price of approximately \$6,730,000 will be paid to Grasscity shareholders, of which 8,410,470 special warrants were issued at a deemed price of \$0.50 per special warrant and automatically convert to common shares of High Tide at no additional cost to the vendors upon Closing of the Transaction. The Transaction has been unanimously approved by the boards of directors of both companies and is expected to close by the end of the year.

Based in Amsterdam, the Netherlands, Grasscity.com is the world’s #1 online store for smoking accessories and cannabis lifestyle products and the most searchable smoking accessories retailer, with approximately 5.8 million site visits annually. The site has in excess of 550,000 customers in its database, generates over 90% of its revenues from customers located in the United States and fulfills approximately 65,000 orders per year. Grasscity has approximately 1.1 million recipients in its e-mail database, with over 375,000 current subscribers including approximately 80,000 dedicated readers of its weekly newsletter. The online store has more than 34,000 certified customer reviews and there are approximately 260,000 total followers of Grasscity on Instagram, Facebook and YouTube. The Grasscity Forums have over 34 million unique users that generate 75 million annual page views. Its database contains over 640,000 members who are cannabis enthusiasts that interact passionately about the topic.

Raj Grover, Founder, President & CEO of High Tide, said, “Grasscity is an iconic company with nearly 20 years of invaluable brand equity in the cannabis industry. It is a natural fit with High Tide since our revenues come from the same product categories – bubblers, grinders, hand pipes, rolling papers, vaporizers and water pipes.” Mr. Grover added, “With Grasscity, High Tide is now positioned to be a dominant player in both bricks-and-mortar and online retail, to go along with being a leader in the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products.” The Transaction strengthens High Tide by leveraging its vertically-integrated structure to achieve wider margins, provides it with the opportunity to serve Grasscity’s large customer base and introduces a new set of global business development opportunities.

Filip Ernest, Co-Founder and Chief Executive Officer of Grasscity, expressed, “High Tide was our preferred purchaser all along the way, because of its management team, business model and future growth plans. After leading Grasscity for over 15 years, I’m proud to become part of High Tide and am excited to offer our customers an even better selection of products and services from this point forward.” Combining Grasscity’s leading online presence with High Tide’s manufacturing expertise and wholesale distribution network makes this a strong business combination. High Tide is expected to provide Grasscity.com with the means to deliver the best possible service to customers in North America while Grasscity’s legacy in Europe is expected to provide High Tide with local market access and tremendous prospects for growth.

Under the terms of the Agreements, and to help ensure the successful integration of Grasscity into High Tide, Mr. Ernest has agreed to become an employee of High Tide for a period of two years from the closing date of the Transaction. Mr. Ernest has accepted the role of Managing Director of High Tide Inc. B.V. and will lead the growth and development of the Grasscity business under the High Tide group of companies. SONAR Corporate Finance B.V. was the primary advisor to the shareholders of Grasscity for the Transaction.

Based on the current exchange rate between the Canadian Dollar and Euro, in 2017 the business generated over \$5,720,000 in revenues and \$2,825,000 or 49% in gross margin. Through the first nine months of 2018, but prior to the busy holiday season that contributed an incremental 35% and 31% to revenues and gross margin last year, respectively, Grasscity has generated over \$3,865,000 in revenues and \$2,160,000 or 56% in gross margin. The strong improvement in gross margin is due to an increased focus on the sale of private label products. The assets of the business primarily include web-based property, plant and equipment; intellectual property; product inventories and trade receivables. Currently, Grasscity is in the process of significantly upgrading its e-commerce website by migrating to the Magento 2 platform, which will result in improved performance, scalability and efficiency of back-end site operations. The upgrade is expected to be completed in early 2019.

Grasscity’s financial results have been prepared as a private company reporting under Dutch Generally Accepted Accounting Principles (GAAP) and are considered “non-GAAP financial measures” as defined under applicable securities legislation. The Company believes such non-GAAP financial measures provide additional insight into the Company’s rationale for completing the Grasscity acquisition, but notes that these results may change as Grasscity’s financial results are converted to International Financial Reporting Standards (IFRS) and consolidated with High Tide’s results, and that such terms do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

About High Tide Inc.

High Tide is an Alberta-based, retail-focused cannabis corporation. It is among the most vertically-integrated companies in the Canadian cannabis market, with portfolio subsidiaries including RGR Canada Inc., Smoker’s Corner Ltd., Famous Brandz Inc., Canna Cabana Inc. and the majority of KushBar Inc. High Tide’s strategy as a parent company is to extend and strengthen its retail-focused integrated value chain, while providing a complete customer experience and maximizing shareholder value.

Representing the core of High Tide's business, RGR Canada Inc. is a high-quality and innovative designer, manufacturer and distributor of cannabis accessories. Founded in 2009 and approved by the Canadian Franchise Association, Smoker's Corner Ltd. is Canada's largest counter-culture chain with 19 current locations. Famous Brandz Inc. is a dominant manufacturer of licensed lifestyle accessories, through partnerships with celebrities and entertainment companies including Snoop Dogg and Paramount Pictures. Famous Brandz' products are sold to wholesalers and retailers around the world. With the deregulation of recreational cannabis for adult use across Canada, Canna Cabana Inc. is positioned to become a sizeable retail brand through a modern concept with a sophisticated yet playful customer experience, while KushBar Inc. is a retail concept that will also be focused on the valued Canadian cannabis consumer.

For more information about High Tide Inc., visit www.hightideinc.ca

Forward-Looking Information

Certain statements in this news release are forward-looking information or forward-looking statements. Such information and statements, referred to herein as "forward-looking statements" are made as of the date of this news release or as of the date of the effective date of information described in this news release, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (generally, forward-looking statements can be identified by use of words such as "outlook", "expects", "intend", "forecasts", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "needs", "strategy", "goals", "objectives", or variations thereof, or stating that certain actions, events or results "may", "can", "could", "would", "might", or "will" be taken, occur or be achieved, or the negative of any of these terms or similar expressions, and other similar terminology) are not statements of historical fact and may be forward-looking statements.

Such forward-looking statements are based on assumptions that may prove to be incorrect, including but not limited to High Tide leveraging the Grasscity acquisition to become a dominant player in both bricks-and-mortar and online retail, High Tide's ability to successfully serve Grasscity's customer base, and Grasscity significantly upgrading its e-commerce website by early 2019. However, there can be no assurance that any one or more of the government, industry, market, operational or financial targets as set out herein will be achieved. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements contained herein are current as of the date of this news release. Except as required by law, High Tide does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking statement, nor does it intend, or assume any obligation, to update or revise these forward-looking statements to reflect new events or circumstances. Any and all forward-looking statements included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this news release.

SOURCE High Tide Inc.

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