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Research Flash

Cannara Biotech – Deepening Strategic Relationship with Curaleaf

Rating	Target Price
BUY	**$3.00**
Unchanged	*Unchanged*

October 5, 2026

Disseminated on Behalf of Cannara Biotech Inc.

All figures in CAD unless otherwise stated

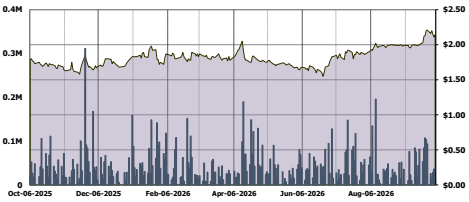
Cannara Biotech Inc.	LOVE:TSX
Rating	BUY
Target Price	$3.00
Return to Target	40%

Market Data	
Share Price	$2.14
Average Daily TSX Volume (K)	56.1
FD ITM Shares (M)	101.6
Market Cap ($M)	$217.4
Cash & Marketable Securities ($M)	$21.8
Debt ($M)	$35.3
Enterprise Value ($M)	$230.9

FYE Aug 31	FY26E	FY27E	FY28E
Revenue ($M)	$122.2	$149.5	$178.6
Gross Margin (%)	43%	43%	44%
Adj. EBITDA ($M)	$31.5	$38.4	$47.4
Adj. EBITDA Margin (%)	26%	26%	27%
Net Income ($M)	$11.8	$22.8	$29.9
EPS (Basic)	$0.12	$0.23	$0.30
FCFF ($M)	$15.7	$5.3	$9.4

Valuation	FY26E	FY27E	FY28E
EV/EBITDA	7.3x	6.0x	4.9x
EV/Sales	1.9x	1.5x	1.3x
P/E	18.5x	9.5x	7.3x
FCF Yield	7%	2%	4%

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents



Cannara is a vertically integrated producer of affordable premium-grade cannabis and cannabis-derivative products for the Canadian markets. Cannara owns two mega facilities based in Québec spanning over 1,600,000 SF, providing the Company with 100,000kg of potential annualized cultivation output. Leveraging Quebec's low electricity costs, Cannara's facilities produce premium-grade cannabis products at an affordable price.

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What you need to know:

- Cannara expanded its long-term international supply agreement with Curaleaf, lifting the potential contract value to $34M over a two-year term, up from $21M under the original July agreement (+62%).
- The upsizing comes just two months after supply began on August 1st, which we view as a strong validation of LOVE's flower quality.
- The Company now has 15 of 24 grow rooms active at Valleyfield (vs. 14 at Q3/26), with a fully funded buildout plan through FY29.

This morning, Cannara Biotech Inc. (LOVE:TSX, LOVFF:OTCQX, FRA:8CB0) announced the expansion of its international supply agreement with Curaleaf (CURA:TSX, $3.8B mkt cap). The potential aggregate contract value increases to $34M over its two-year term, compared to $21M previously (+62%). We remain highly impressed by the management team's execution on the demand side (international agreements and domestic market share gains), while progressing on opening new grow zones steadily, leading us to increase our estimates. **We are maintaining our BUY rating and $3.00/share target price on LOVE.**

The original agreement was signed on July 21st, 2026, and our note on the topic can be read here. The contract allows Cannara to take advantage of CURA's distribution network overseas (Europe, the UK, and Australasia), while focusing on its core strength of growing quality flower. Management frames the agreement as an opportunity to continue growing together as partners, while continuing to execute on its market share gains in Canada. The Company also updated investors that 15 of its 24 grow rooms are active (+1 since Q3 financials) and it is fully funded for the remaining buildout. Management previously stated that the margins on this contract are similar to its domestic business, benefiting from the lack of excise taxes but are reduced by the orders being sold in bulk (no processing).

Curaleaf continues to support Cannara's pursuit of EU-GMP certification for its processing centre at Valleyfield, but in the interim, flower will be dried and processed at Curaleaf's EU-GMP certified facility in Canada. We remind investors that the EU-GMP certification should take 1-2 years, being streamlined by Curaleaf's sponsorship.

Our Take

We believe that the expanded agreement speaks to the quality of the product being produced by Cannara, with Curaleaf already being impressed and wanting more. Given the scale and capacity of the Valleyfield facility, Cannara's main limiting factor is demand, rather than supply; the Company has a clear plan to reach its capacity by FY29 and today's announcement brings that one step closer. The demand side is becoming more of a reality via today's announcement, but also through market share gains in Canada, specifically outside of Quebec, which we wrote about in our last note here. Cannara plans to open four grow zones in FY27 (weighted more towards H2) which take 5-6 months to generate revenue.

We have decided to move up our FY28 estimates due to the announcement (see Figure 3), now expecting revenue of $178.6M (+19% YoY) vs. $174.2M previously and adjusted EBITDA of $47.4M (+24% YoY) vs. $46.0M previously. Our FY26 and FY27 estimates remain unchanged. We also want to highlight that Curaleaf could one day be an acquirer of Cannara as the relationship strengthens; CURA trades at a significant premium of 10.9x 2027E EBITDA vs. LOVE at 6.0x.



Figure 1: Expansion Plans

Why We Like Cannara

- Cannara is in the top 10 LPs in Canada and the leader in Quebec, growing revenue at a 111% CAGR since 2020. Cannara has achieved this with extremely minimal dilution.
- The Valleyfield facility was purpose-built for $250M and acquired for just $33M, providing 24 independent grow zones with capacity for 100,000kg annually. With a $30M capex plan over three years, LOVE has a clear and low-risk path to full capacity by FY29, generating ~$300M in revenue.
- LOVE benefits from Quebec's lowest electricity rates in Canada and high regulatory barriers limiting competition to just 151 brands vs. 500+ in Ontario.
- Quebec launched vape sales in November 2025, a category representing 15-25% of sales in other provinces, and LOVE immediately captured leading market share.
- Despite superior growth and margins, LOVE trades at a discount to large-cap LPs. A recent comparable transaction in Canopy's acquisition of MTL Cannabis implied 11.6x LTM EBITDA, underscoring meaningful re-rating potential.

Catalysts

- Quarterly Financial Results – Ongoing
- Zone Activations & Capex Updates – FY26 & Beyond

Tear Sheet

Market Data	
Ticker	LOVE:TSX
Stock Price	$2.14
Rating	BUY
Target Price	$3.00
Upside	40%
Market Cap ($M)	$217.4
Cash ($M)	$21.8
Debt ($M)	$35.3
EV ($M)	$230.9

Capital Structure	
Basic Shares Outstanding (M)	98.8
RSUs (M)	0.2
Options (M)	8.6
FD Shares (M)	107.5
FD ITM Shares (M)	101.6

Ownership	
Management & Board	26%
Olymbec Investments	24%
Retail & Institutions	50%

Financial Estimates	FY25A	Q1/26A	Q2/26A	Q3/26A	Q4/26E	FY26E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	FY27E	FY28E
Revenue ($M)	**107.3**	**30.1**	**27.2**	**31.8**	**33.1**	**122.2**	**35.8**	**34.6**	**38.0**	**41.1**	**149.5**	**178.6**
% YoY	*31%*	*20%*	*2%*	*16%*	*17%*	*14%*	*19%*	*27%*	*19%*	*24%*	*22%*	*19%*
Gross Profit (Before FVA, $M)	**44.5**	**13.5**	**11.6**	**13.4**	**13.7**	**52.2**	**15.2**	**14.8**	**16.5**	**18.0**	**64.6**	**78.5**
Gross Margin	*41%*	*45%*	*43%*	*42%*	*41%*	*43%*	*42%*	*43%*	*44%*	*44%*	*43%*	*44%*
Adj. EBITDA ($M)	**28.1**	**8.8**	**6.0**	**8.5**	**8.2**	**31.5**	**8.8**	**8.6**	**9.9**	**11.1**	**38.4**	**47.4**
Adj. EBITDA Margin	*26%*	*29%*	*22%*	*27%*	*25%*	*26%*	*24%*	*25%*	*26%*	*27%*	*26%*	*27%*
Net Income ($M)	13.1	1.0	1.7	4.8	4.2	11.8	5.0	4.9	6.0	6.9	22.8	29.9
EPS (Basic)	0.14	0.01	0.02	0.05	0.04	0.12	0.05	0.05	0.06	0.07	0.23	0.30
FCFF ($M)	15.1	3.6	0.1	2.0	9.9	15.7	(0.6)	6.1	(0.8)	0.6	5.3	9.4

Figure 2: Tear Sheet

Estimate Revisions

	Q4/26E		Q1/27E		FY27E		FY28E	
	New	Previous	New	Previous	New	Previous	New	Previous
Revenue ($M)	**$33.1**	$33.1	**$35.8**	$35.8	**$149.5**	$149.5	**$178.6**	$174.2
Gross Margin (%)	**41.4%**	41.4%	**42.5%**	42.5%	**43.2%**	43.2%	**44.0%**	44.0%
Adj. EBITDA ($M)	**$8.2**	$8.2	**$8.8**	$8.8	**$38.4**	$38.4	**$47.4**	$46.0
Net Income ($M)	**$4.2**	$4.2	**$5.0**	$5.0	**$22.8**	$22.8	**$29.9**	$28.8

Figure 3: Estimate Revisions

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NOT RATED (N/R): Atrium does not provide research coverage on the respective company.

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