

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 29, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-37404

DAVIDsTEA

DAVIDsTEA Inc.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of
incorporation or organization)

98-1048842

(I.R.S. Employer
Identification No.)

5430 Ferrier

Mount-Royal, Québec, Canada, H4P 1M2
(Address of principal executive offices) (zip code)

(888) 873-0006

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered	Trading Symbol for Each Class
Common shares, no par value per share	NASDAQ Global Market	DTEA

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of December 9, 2022, 26,571,035 common shares of the registrant were outstanding.

The brand, service or product names or marks referred to in this Quarterly Report are trademarks or services marks, registered or otherwise, of DAVIDsTEA Inc. and our wholly-owned subsidiary, DAVIDsTEA (USA) Inc.

DAVIDsTEA Inc.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements	2
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	22

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	25
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities	25
Item 3. Defaults Upon Senior Securities	25
Item 4. Mine Safety Disclosures	25
Item 5. Other Information	25
Item 6. Exhibits	26

DAVIDsTEA Inc. (the “Company”), a corporation incorporated under the *Canada Business Corporations Act*, qualifies as a foreign private issuer in the United States for purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As a foreign private issuer, the Company has chosen to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K with the United States Securities and Exchange Commission (“SEC”) instead of filing the reporting forms available to foreign private issuers, although the Company is not required to do so.

In this Quarterly Report, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to “\$”, “C\$”, “CAD”, “Canadian dollars” and “dollars” mean Canadian dollars and all references to “U.S. dollars”, “US\$” and “USD” mean U.S. dollars.

On December 9, 2022, the Bank of Canada exchange rate was US\$1.00 = CAD\$1.3630.

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED BALANCE SHEETS

[Unaudited and in thousands of Canadian dollars]

	As at	
	October 29, 2022	January 29, 2022
	\$	\$
ASSETS		
Current		
Cash	16,131	25,107
Accounts and other receivables	3,937	3,209
Inventories	29,985	31,048
Prepaid expenses and deposits	6,137	4,142
Total current assets	56,190	63,506
Property and equipment	576	775
Intangible assets	1,818	2,234
Right-of-use assets	9,990	12,087
Total assets	68,574	78,602
LIABILITIES AND EQUITY		
Current		
Trade and other payables	14,445	12,300
Deferred revenue	5,472	5,434
Current portion of lease liabilities	2,540	2,364
Total current liabilities	22,457	20,098
Non-current portion of lease liabilities	8,290	10,189
Total liabilities	30,747	30,287
Commitments and contingencies		
Equity		
Share capital [Note 4]	113,892	113,534
Contributed surplus	2,838	2,507
Deficit	(82,164)	(70,671)
Accumulated other comprehensive income	3,261	2,945
Total equity	37,827	48,315
Total liabilities and equity	68,574	78,602

See accompanying notes.

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

[Unaudited and in thousands of Canadian dollars, except share and per share information]

		For the three-months ended		For the nine-months ended	
		October 29, 2022 \$	October 30, 2021 \$	October 29, 2022 \$	October 30, 2021 \$
Sales	[Note 10]	16,176	22,203	51,670	64,195
Cost of sales		9,894	13,587	30,116	36,816
Gross profit		6,282	8,616	21,554	27,379
Selling, general and administration expenses	[Note 5]	10,925	10,242	32,784	28,521
Restructuring plan activities, net	[Note 6]	—	195	—	(76,964)
Results from operating activities		(4,643)	(1,821)	(11,230)	75,822
Finance costs		194	71	532	104
Finance income		(120)	(28)	(236)	(118)
Net income (loss) before income taxes		(4,717)	(1,864)	(11,526)	75,836
Recovery of income taxes	[Note 6]	—	—	—	(1,000)
Net (loss) income		(4,717)	(1,864)	(11,526)	76,836
Other comprehensive income:					
Cumulative translation adjustment		286	(13)	316	999
Other comprehensive income, net of tax		286	(13)	316	999
Total comprehensive (loss) income		(4,431)	(1,877)	(11,210)	77,835
Net (loss) earnings per share:					
Basic	[Note 7]	(0.18)	(0.07)	(0.44)	2.92
Fully diluted	[Note 7]	(0.18)	(0.07)	(0.44)	2.79
Weighted average number of shares outstanding:					
Basic	[Note 7]	26,566,441	26,359,969	26,493,484	26,300,289
Fully diluted	[Note 7]	26,566,441	26,359,969	26,493,484	27,584,128

See accompanying notes.

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited and in thousands of Canadian dollars]

	For the three-months ended		For the nine-months ended	
	October 29, 2022 \$	October 30, 2021 \$	October 29, 2022 \$	October 30, 2021 \$
OPERATING ACTIVITIES				
Net (loss) income	(4,717)	(1,864)	(11,526)	76,836
Items not affecting cash:				
Depreciation of property and equipment	90	398	254	1,193
Amortization of intangible assets	138	403	415	1,290
Amortization of right-of-use assets	656	242	1,975	536
Impairment of property and equipment and right-of-use assets	258	—	258	—
Gain on liabilities subject to compromise, including the recovery of income taxes [Note 6]	—	—	—	(79,861)
Interest on lease liabilities	156	50	490	83
Amortization of Financing Fees	31	—	31	—
Stock-based compensation expense	355	392	1,063	937
Sub-total	(3,033)	(379)	(7,040)	1,014
Net change in non-cash working capital balances related to operations	869	1,932	463	(17,233)
Cash flows (used in) provided by operating activities	(2,164)	1,553	(6,577)	(16,219)
FINANCING ACTIVITIES				
Payment of lease liabilities	(753)	(237)	(2,271)	(559)
Cash flows used in financing activities	(753)	(237)	(2,271)	(559)
INVESTING ACTIVITIES				
Additions to property and equipment	—	—	(128)	(52)
Cash flows used in investing activities	—	—	(128)	(52)
(Decrease) increase in cash during the period	(2,917)	1,316	(8,976)	(16,830)
Cash, beginning of the period	19,048	12,051	25,107	30,197
Cash, end of the period	16,131	13,367	16,131	13,367
Supplemental Information				
Cash paid for:				
Interest (other than lease liabilities)	—	—	—	—
Income taxes (classified as operating activity)	—	—	—	—
Cash received for:				
Interest	92	7	203	101
Income taxes (classified as operating activity)	—	—	—	—

See accompanying notes.

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF EQUITY (DEFICIENCY)

[Unaudited and in thousands of Canadian dollars]

	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total equity (deficiency) \$
Balance, January 29, 2022	113,534	2,507	(70,671)	2,945	48,315
Net loss for the nine months ended October 29, 2022	—	—	(11,526)	—	(11,526)
Other comprehensive income	—	—	—	316	316
Total comprehensive income	—	—	(11,526)	316	(11,210)
Common shares issued on vesting of restricted stock units	358	(732)	33	—	(341)
Stock-based compensation expense	—	1,063	—	—	1,063
Balance, October 29, 2022	113,892	2,838	(82,164)	3,261	37,827
Balance, January 30, 2021	113,167	1,747	(148,068)	1,863	(31,291)
Net income for the nine months ended October 30, 2021	—	—	76,836	—	76,836
Other comprehensive income	—	—	—	999	999
Total comprehensive income	—	—	76,836	999	77,835
Common shares issued on vesting of restricted stock units	239	(485)	(494)	—	(740)
Stock-based compensation expense	—	937	—	—	937
Balance, October 30, 2021	113,406	2,199	(71,726)	2,862	46,741

See accompanying notes.

DAVIDsTEA Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended October 29, 2022 and October 30, 2021 [Unaudited]

[Amounts in thousands of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

The unaudited condensed interim consolidated financial statements of DAVIDsTEA Inc. and its subsidiary DAVIDsTEA (USA) Inc. (collectively, the “Company”) for the three and nine-month periods ended October 29, 2022 and October 30, 2021 were authorized for issue by the Board of Directors on December 13, 2022. The Company is incorporated and domiciled in Canada and its shares are publicly traded on the Nasdaq Global Market under the symbol “DTEA”. The registered office is located at 5430 Ferrier St., Town of Mount-Royal, Québec, Canada, H4P 1M2.

The Company offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories and gifts through its e-commerce platform at www.davidstea.com and the Amazon Marketplace, its wholesale customers which include over 3,800 grocery stores and pharmacies, and 18 Company-owned stores across Canada. The Company offers primarily proprietary tea blends that are exclusive to the Company, as well as traditional single-origin teas and herbs. Our passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven “collections” with a mission of making tea fun and accessible to all.

Sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter due to the year-end holiday season and tend to be lowest in the second and third fiscal quarters because of lower customer engagement during the summer months.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). Accordingly, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended January 29, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. In management’s opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented. These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies and methods of computation as outlined in Note 3 of the consolidated financial statements for the year ended January 29, 2022.

Certain comparatives figures related to current and prior year’s quarters have been reclassified to conform with the current quarter’s presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, critical judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those referred to in Note 5 of the consolidated financial statements for the year ended January 29, 2022.

4. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and outstanding

	October 29, 2022 \$	January 29, 2022 \$
Share Capital - (26,571,035) Common shares (January 29, 2022 - 26,423,717)	113,892	113,534

During the three and nine-month periods ended October 29, 2022, 9,291 and 147,318 common shares, respectively (October 30, 2021 – nil and 125,387 common shares, respectively), were issued in relation to the vesting of restricted stock units (“RSU”), resulting in an increase in share capital of \$30 and \$358, net of tax (October 30, 2021 – \$nil and \$239, net of tax, respectively) and a reduction in contributed surplus of \$62 and \$732, respectively (October 30, 2021 – \$nil and \$485, respectively).

Stock-based compensation

As at October 29, 2022, 397,974 (October 30, 2021, 777,709) common shares remain available for issuance under the 2015 Omnibus Plan.

No stock options were granted during the three and nine-month periods ended October 29, 2022 and October 30, 2021. A summary of the status of the Company’s stock option plan and changes during the nine-month periods is presented below.

	For the nine-months ended			
	October 29, 2022		October 30, 2021	
	Options outstanding #	Weighted average exercise price \$	Options outstanding #	Weighted average exercise price \$
	#	\$	#	\$
Outstanding and exercisable - beginning and end of period	3,490	14.39	9,490	8.01

A summary of the status of the Company’s RSU plan and changes during the nine-month periods are presented below.

	For the nine-months ended			
	October 29, 2022		October 30, 2021	
	RSUs outstanding #	Weighted average fair value per unit (1) \$	RSUs outstanding #	Weighted average fair value per unit (1) \$
	#	\$	#	\$
Outstanding, beginning of period	1,282,790	2.60	1,306,101	1.70
Granted	833,764	1.99	727,217	4.55
Forfeitures	(43,857)	1.66	(174,041)	(2.56)
Vested	(147,318)	2.40	(125,387)	(1.91)
Vested, withheld for tax	(153,382)	2.40	(130,562)	(1.91)
Outstanding, end of period	1,771,997	2.35	1,603,328	2.86

(1) Weighted average fair value per unit as at date of grant.

During the three and nine-month periods ended October 29, 2022, the Company recognized a stock-based compensation expense of \$355 and \$1,063, respectively (October 30, 2021 – \$392 and \$937, respectively).

5. SELLING, GENERAL AND ADMINISTRATION EXPENSES

The Company qualified in Fiscal 2021 for the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy under the COVID-19 Economic Response Plan of the Government of Canada. During the three and nine-month periods ended October 29, 2022, the Company recognized payroll and rent subsidies of \$nil (October 30, 2021 - \$0.8 and \$4.4 million, respectively).

	<u>For the three-months ended</u>		<u>For the nine-months ended</u>	
	<u>October 29,</u> <u>2022</u>	<u>October 30,</u> <u>2021</u>	<u>October 29,</u> <u>2022</u>	<u>October 30,</u> <u>2021</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Wages, salaries and employee benefits	3,542	3,589	10,493	10,413
IT ongoing expenses	1,726	1,815	5,017	4,639
Marketing expenses	1,229	1,618	4,893	4,263
Software implementation and configuration costs	1,142	641	3,222	3,095
Credit card fees	329	447	1,006	1,426
Director & officer and other insurance	214	362	904	927
Professional and consulting fees	477	380	1,153	1,635
Depreciation of property and equipment	90	398	254	1,193
Amortization of intangible assets	138	403	415	1,290
Amortization right-of-use asset	656	242	1,975	536
Impairment of property and equipment and right-of-use assets	258	—	258	—
Stock-based compensation	355	392	1,063	937
Other selling, general and administration	769	713	2,131	2,521
Sub-total	10,925	11,000	32,784	32,875
Government emergency wage and rent subsidy	—	(758)	—	(4,354)
	<u>10,925</u>	<u>10,242</u>	<u>32,784</u>	<u>28,521</u>

6. RESTRUCTURING PLAN ACTIVITIES, NET

On July 8, 2020, the Company announced that it was implementing a restructuring plan (the “Restructuring Plan”) under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”) in order to accelerate its transition to predominantly an online retailer and wholesaler of high-quality tea and accessories. At the creditors’ meeting held on June 11, 2021, the Plan of Arrangement was approved by the requisite majorities of creditors of the Company. As a result, the Company was required to and paid approximately \$17.6 million to its creditors in full and final settlement and recorded a net gain of \$76.9 million in the second quarter of Fiscal 2021.

The Plan of Arrangement was approved by the Company’s creditors on June 11, 2021 and on September 9, 2021, the Monitor filed a Certificate of Termination with the Québec Superior Court in accordance with paragraph 24 of the Sanction Order and declared the CCAA proceedings were terminated without further act or formality.

During the three-and nine-month periods ended October 30, 2021, the Company recorded a net (loss) gain on the settlement of liabilities subject to compromise of negative \$195 and \$76,964, respectively net of professional fees in connection with the CCAA proceedings of \$195 and \$1,897, respectively and before a gain from the recovery of income taxes of \$nil and \$1,000, respectively. This net gain is presented in the interim consolidated statement of income (loss) and comprehensive income (loss) in Restructuring Plan activities, net and Recovery of income taxes.

7. NET (LOSS) EARNINGS PER SHARE

Basic Net (loss) earnings per share (“EPS”) amounts are calculated by dividing the Net (loss) income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing the Net (loss) income attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, unless these would be anti-dilutive.

The following reflects the Net (loss) income and share data used in the basic and diluted EPS computations:

	<u>For the three-months ended</u>		<u>For the nine-months ended</u>	
	<u>October 29,</u>	<u>October 30,</u>	<u>October 29,</u>	<u>October 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net (loss) income for basic EPS	(4,717)	(1,864)	(11,526)	76,836
Weighted average number of shares outstanding:				
Basic	26,566,441	26,359,969	26,493,484	26,300,289
Fully diluted	26,566,441	26,359,969	26,493,484	27,584,128
Net (loss) earnings per share:				
Basic	(0.18)	(0.07)	(0.44)	2.92
Fully diluted	(0.18)	(0.07)	(0.44)	2.79

8. RELATED PARTY DISCLOSURES

Transactions with related parties are measured at the exchange amount, being the consideration established and agreed to by the related parties.

During the three and nine-month periods ended October 29, 2022, the Company purchased merchandise for resale amounting to \$92 and \$136, respectively (October 30, 2021 - \$77 and \$306, respectively) and provided infrastructure and administrative services of \$2 and \$12, respectively (October 30, 2021 - \$11 and \$23, respectively) to a company controlled by one of its executive employees. As of October 29, 2022, an amount of \$4 was outstanding and presented in Accounts and other receivables. As of October 29, 2022, an amount of \$118 was outstanding and presented in Trade and other payables.

9. REVOLVING LINE OF CREDIT

On August 23, 2022, a revolving line of credit on demand with the Bank of Nova Scotia was established for up to \$15.0 million, less a reserve of \$0.5 million for credit cards based on eligible accounts receivable and inventory balances and subject to financial covenants required to be calculated and met starting January 28, 2023. The credit facility will bear interest at the prime rate plus 1%, renewable annually at the lender's option. In addition, Investissement Québec has provided a loan loss guarantee under its "Loan Loss Program", securing 50% of any loss incurred by the Bank of Nova Scotia with respect to the recovery of indebtedness under the line of credit.

10. SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has two operating segments, Canada, and the U.S., that derive their revenues from various distribution channels including online, retail and wholesale. The Company's Chief Executive and Brand Officer and President, Chief Financial and Operating Officer (the chief operating decision makers or "CODM") make decisions about resources to be allocated to the segments and assesses performance, and for which discrete financial information is available.

The Company derives revenue from the following products:

	<u>For the three-months ended</u>		<u>For the nine-months ended</u>	
	<u>October 29,</u>	<u>October 30,</u>	<u>October 29,</u>	<u>October 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Tea	14,084	19,054	45,159	55,192
Tea accessories	1,859	2,723	5,442	8,129
Food and beverages	233	426	1,069	874
	<u>16,176</u>	<u>22,203</u>	<u>51,670</u>	<u>64,195</u>

All property and equipment, right-of-used assets and intangible assets are located in Canada.

Results from operating activities before corporate expenses per country are as follows:

	For the three-months ended October 29, 2022			For the nine-months ended October 29, 2022		
	Canada	US	Consolidated	Canada	US	Consolidated
	\$	\$	\$	\$	\$	\$
Sales	12,899	3,277	16,176	42,302	9,368	51,670
Cost of sales	7,968	1,926	9,894	24,539	5,577	30,116
Gross profit	4,931	1,351	6,282	17,763	3,791	21,554
Selling, general and administration expenses (allocated)	2,818	377	3,195	9,156	1,364	10,520
Results from operating activities before corporate expenses	2,113	974	3,087	8,607	2,427	11,034
Selling, general and administration expenses (non-allocated)			7,730			22,264
Results from operating activities			(4,643)			(11,230)
Finance costs			194			532
Finance income			(120)			(236)
Net loss before income taxes			(4,717)			(11,526)

	For the three-months ended October 30, 2021			For the nine-months ended October 30, 2021		
	Canada	US	Consolidated	Canada	US	Consolidated
	\$	\$	\$	\$	\$	\$
Sales	17,948	4,255	22,203	51,124	13,071	64,195
Cost of sales	10,891	2,696	13,587	29,480	7,336	36,816
Gross profit	7,057	1,559	8,616	21,644	5,735	27,379
Selling, general and administration expenses (allocated)	3,129	430	3,559	8,020	1,519	9,539
Results from operating activities before corporate expenses	3,928	1,129	5,057	13,624	4,216	17,840
Selling, general and administration expenses (non-allocated)			6,683			18,982
Restructuring plan activities, net			195			(76,964)
Results from operating activities			(1,821)			75,822
Finance costs			71			104
Finance income			(28)			(118)
Net (loss) income before income taxes			(1,864)			75,836

11. CONTINGENCIES

The Company is subject to a claim amounting to \$350,000 from a third-party service provider for which services were rendered prior to July 8, 2020, when the Company announced it was implementing the Restructuring Plan under the Companies' Creditors Arrangement Act. At this stage, it is too early to determine whether the claim has a legal merit and the final amount of settlement, if any.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF- FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and there are, or may be deemed to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "expects", "may", "will", "should", "approximately", "intends", "plans", "estimates" or "anticipates" or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our strategy of transitioning to e-commerce and wholesale sales, future sales through our e-commerce and wholesale channels, our results of operations, financial condition, liquidity and prospects, and the impact of the COVID-19 pandemic and other geopolitical conditions on the global macroeconomic environment.

While we believe these expectations and projections are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us, including the risk factors listed under Item 1A. Risk Factors, as well as other cautionary language in our Form 10-K filed with the SEC on April 29, 2022.

Actual results may differ materially from those in the forward-looking statements as a result of various factors, including but not limited to, the following:

- Our ability to successfully pivot our business to a digital-first strategy, supported by our wholesale distribution capabilities and our retail operations, including our ability to attract and retain employees who are instrumental to growing our online and wholesale channel businesses;
- The duration and impact of the global COVID-19 pandemic, which has disrupted the Company's business and has adversely affected the Company's financial condition and operating results, and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors, suppliers and partners;
- Our ability to maintain and enhance our brand image;
- Significant competition within our industry;
- Our ability to obtain quality products from third-party manufacturers and suppliers on a timely basis or in sufficient quantities, in light of supply chain disruptions due to the ongoing COVID-19 pandemic and the war in Ukraine;
- Actual or attempted breaches of data security; and
- The seasonality of our business.

All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. These statements are based upon information available to us as of the date of this Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially-available relevant information. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur, and investors are cautioned not to unduly rely upon these statements.

Forward-looking statements speak only as of the date of this Form 10-Q. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-Q, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this Form 10-Q or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Accounting Periods

All references to “Fiscal 2022” are to the Company’s fiscal year ending January 28, 2023. All references to “Fiscal 2021” are to the Company’s fiscal year ended January 29, 2022.

The Company’s fiscal year ends on the Saturday closest to the end of January, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. The year ended January 29, 2022 and the year ending January 28, 2023 both cover a 52-week period.

Overview

The Company offers a selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories, and gifts through its e-commerce platform at www.davidstea.com and the Amazon Marketplace, its wholesale customers which include over 3,800 grocery stores and pharmacies, and 18 Company-owned stores across Canada. The Company offers primarily proprietary tea blends that are exclusive to the Company, as well as traditional single-origin teas and herbs. Our passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven “collections” with a mission of making tea fun and accessible to all.

Sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter due to the year-end holiday season and tend to be lowest in the second and third fiscal quarters because of lower customer engagement during the summer months.

We believe that our proprietary loose-leaf tea assortment and related product suite differentiates us from competitors in North America and resonates with our target customer base. Our strategy is to stabilize our business from unfavorable trend lines by playing to our core strengths and strengthening our business by focusing on how to grow our product portfolio. This includes migrating sales to a virtual experience and best-in-class customer service execution. We are focused on effectively optimizing our retail footprint into a more sustainable physical presence that complements a growing online and wholesale business, all supported by a right-sized support organization.

In March 2020, the outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization and on March 17, 2020, in response to the COVID-19 pandemic, the Company announced the temporary closure of all its retail stores in Canada and the United States.

Following a careful review of available options to stem the losses generated primarily from its brick-and-mortar footprint, our management and Board of Directors determined that a formal restructuring process was the best option in the context of an increasingly challenging retail environment, further exacerbated by the COVID-19 pandemic.

On July 8, 2020, the Company announced that it was implementing a restructuring plan (the “Restructuring Plan”) under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”) in order to accelerate its transition to predominantly an online retailer and wholesaler of high-quality tea and accessories and that during the restructuring process, the Company would continue to operate its online business through its e-commerce platform and the Amazon Marketplace as well as its wholesale distribution channel. On August 21, 2020, the Company re-opened 18 stores across Canada and permanently closed 164 stores in Canada and all 42 stores in the United States.

At a creditors’ meeting held on June 11, 2021, the Company’s Plan of Arrangement was approved by the requisite majorities of creditors of DAVIDsTEA Inc. and its subsidiary DAVIDsTEA (USA) Inc., respectively, in accordance with the CCAA, that is, a simple majority of creditors of DAVIDsTEA Inc. and of DAVIDsTEA (USA) Inc., voting separately, whose claims were affected by the Plan of Arrangement, representing in each case at least two-thirds in dollar value of all such claims duly filed in accordance with the CCAA proceedings.

The approved Plan of Arrangement required that DAVIDsTEA Inc. distribute an aggregate amount of \$17.6 million to its creditors and those of DAVIDsTEA (USA) Inc. in full and final settlement of all claims affected by the Plan of Arrangement on June 18, 2021.

On September 9, 2021, the Monitor filed a Certificate of Termination with the Québec Superior Court in accordance with paragraph 24 of the Sanction Order and declared the CCAA proceedings were terminated without further act or formality.

The Company emerged from the Restructuring Plan a smaller and more invigorated organization, with a renewed sense of purpose and confidence as we continue building a high-performing, future-ready winning culture, driven by purpose. We were founded on a spirit of innovation and of embracing unconventional ideas with a desire to create a North American experience around

tea. We removed the boundaries that kept tea in the cupboards of only those in-the-know. We experimented and took risks, attracted passionate employees and as customers became friends, we embraced our brand purpose; a desire to share “positivitea” with all, and use our platform to do good - for business and for the lives of all with whom we interact.

Our actions are driven by the fervent desire to become the world’s most innovative tea company; one that inspires greater wellness and sustainability through ethical and sustainable tea sourcing, compostable and regenerative packaging, and caring for our community. Our digital-first strategy is built to respond to consumer demand - meeting consumers where they are, driving loyalty with the ability to scale the business, without borders. We are focused on building a winning culture that is fueled by delighting consumers and driven to overcome challenging operational and market conditions. We are focused on revenue growth, attaining profitability and positive cash-flow, and with an unwavering sense of passion, purpose and commitment to our customers and our stakeholders.

Factors Affecting Our Performance

We believe that our performance and future success depend on several factors that present significant opportunities for us and may pose risks and challenges, as discussed in the “Risk Factors” section under “Item 1A. Risk Factors” in our Form 10-K filed with the SEC and on SEDAR and available at www.sec.gov and www.sedar.com, respectively.

How We Assess Our Performance

The key measures we use to evaluate the performance of our business and the execution of our strategy are set forth below:

Sales. Sales are generated from our online stores, retail stores, and from our wholesale distribution channel. Our business is seasonal and, as a result, our sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter, which includes the holiday sales period, and tend to be lowest in the second and third fiscal quarters because of lower customer engagement in both our online store and physical locations in the summer months.

The specialty retail industry is cyclical, and our sales are affected by general economic conditions. Several factors influence the level of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates, the rate of inflation and consumer confidence that can affect purchases of our products.

As we have transitioned to generating sales primarily from our online stores, measuring the change in period-over-period comparable same store sales, although still a valid measure within our retail sales channel, loses its significance in the overall evaluation of how our business is performing. Other measures such as sales performance in total and in our e-commerce and wholesale channels begin to influence how we direct resources and evaluate our performance. Factors affecting our performance include:

- our ability to anticipate and respond effectively to consumer preference, buying and economic trends;
- our ability to provide a product offering that generates new and repeat visits online and in our other channels;
- the customer experience we provide online and in our other channels;
- the level of customer traffic to our website and our online presence more generally;
- the number of customer transactions and average ticket online;
- the pricing of our tea and tea accessories; and
- our ability to obtain, process and distribute product efficiently.

Gross Profit. Gross profit is equal to our sales less our cost of sales. Cost of sales includes product costs, freight costs, certain store occupancy costs, assembly, and distribution costs.

Selling, General and Administration Expenses. Selling, general and administration expenses (“SG&A”) consist of store operating expenses and other general and administration expenses. Store operating expenses consist of all store expenses excluding certain occupancy related costs (which are included in costs of sales). General and administration costs consist of salaries and other payroll costs, travel, professional fees, stock compensation, marketing expenses, information technology, depreciation of property and equipment, amortization of intangible assets, amortization of right-of-use assets, any asset impairment and other operating costs.

General and administration costs, which are generally fixed in nature, do not vary proportionally with sales to the same degree as our cost of sales. We believe that these costs will decrease as a percentage of sales over time. Accordingly, this expense as a percentage of sales is usually higher in lower-volume quarters and lower in higher-volume quarters.

Results from Operating Activities. Results from operating activities consist of our gross profit less our selling, general and administration expenses, and in respect of Fiscal 2021, Restructuring Plan activities, net.

Finance Costs. Finance costs consist of interest expense on lease liabilities.

Finance Income. Finance income consists of interest income on cash balances.

Selected Operating and Financial Highlights

Results of Operations

Sales during the third quarter of Fiscal 2022 decreased by \$6.0 million or 27.1% to \$16.2 million from the prior year quarter due mainly to a decrease in e-commerce sales of \$4.3 million and a decrease in brick-and-mortar and wholesale sales of \$1.8 million.

Sales of \$51.7 million in the year-to-date period ended October 29, 2022 decreased by \$12.5 million from the prior year period or 19.5% due to a decrease in e-commerce sales of \$16.2 million, partially offset by an increase in sales of \$3.7 million from brick-and-mortar and wholesale.

The Company recorded a Net loss of \$4.7 million in the third quarter compared to a Net loss of \$1.9 million in the prior year quarter. Excluding adjustments noted herein, Adjusted net loss ⁽¹⁾ for the third quarter was \$3.3 million compared to an Adjusted net loss ⁽¹⁾ of \$1.8 million in the prior year quarter. Adjusted EBITDA ⁽¹⁾ in the third quarter of Fiscal 2022 was a loss of \$2.0 million compared to a loss of \$0.3 million in the prior year quarter.

The Company recorded a Net Loss of \$11.5 million in the year-to-date period compared to a Net income of \$76.8 million in the prior year period. Excluding adjustments noted herein, Adjusted net loss ⁽¹⁾ for the year-to-date period was \$8.0 million compared to an Adjusted net loss ⁽¹⁾ of \$2.4 million in the prior year period. Adjusted EBITDA ⁽¹⁾ in the year-to-date period of Fiscal 2022 was a loss of \$4.1 million compared to income of \$1.6 million in the prior year period.

Sales and operating results have been materially impacted by changes in overall economic conditions in North America and the impact these conditions have had on consumer confidence and discretionary spending. Continuing inflationary pressures have resulted in an increase in our cost of goods, transportation, and labour costs. Fears of a looming recession, increases in interest rates, the rate of inflation, uncertainty surrounding the COVID-19 pandemic, continuing supply chain disruptions, increased input costs, and shortage of technical and skilled labour are expected to have a continuing significant impact on economic conditions that could materially affect our financial condition, results of operations and cash flows.

As COVID-19 restrictions loosened in Fiscal 2022, consumer spending shifted to out-of-home and we saw a shift away from online to brick-and mortar. We believe this decline in e-commerce revenue is temporary as we continue to build on the wellness trend for healthier beverages with our target audiences.

The following table summarizes key components of our results of operations for the periods indicated:

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Consolidated statement of operations data:				
Sales	\$ 16,176	\$ 22,203	\$ 51,670	\$ 64,195
Cost of sales	9,894	13,587	30,116	36,816
Gross profit	6,282	8,616	21,554	27,379
Selling, general and administration expenses	10,925	10,242	32,784	28,521
Restructuring plan activities, net	—	195	—	(76,964)
Results from operating activities	(4,643)	(1,821)	(11,230)	75,822
Finance costs	194	71	532	104
Finance income	(120)	(28)	(236)	(118)
Net income (loss) before income taxes	(4,717)	(1,864)	(11,526)	75,836
Recovery of income taxes	—	—	—	(1,000)
Net (loss) income	\$ (4,717)	\$ (1,864)	\$ (11,526)	\$ 76,836
Percentage of sales:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	61.2%	61.2%	58.3%	57.4%
Gross profit	38.8%	38.8%	41.7%	42.6%
Selling, general and administration expenses	67.5%	46.1%	63.4%	44.4%
Net (loss) income	(29.2)%	(8.4)%	(22.3)%	119.7%
Other financial and operations data:				
Adjusted EBITDA ⁽¹⁾	\$ (2,004)	\$ (308)	\$ (4,043)	\$ 1,555
Adjusted EBITDA as a percentage of sales ⁽¹⁾	(12.4)%	(1.4)%	(7.8)%	2.4%
Adjusted SG&A ⁽¹⁾	\$ 9,525	\$ 10,359	\$ 29,304	\$ 29,780
Adjusted results from operating activities ⁽¹⁾	\$ (3,243)	\$ (1,743)	\$ (7,750)	\$ (2,401)
Adjusted net loss ⁽¹⁾	\$ (3,317)	\$ (1,786)	\$ (8,046)	\$ (2,387)

(1) For a reconciliation of Adjusted EBITDA, Adjusted EBITDA as a percentage of sales, Adjusted SG&A, Adjusted results from operating activities, and Adjusted net loss, to the most directly comparable measure calculated in accordance with IFRS, see “Non-IFRS Financial Measures and Ratios” below.

Non-IFRS Financial Measures and Ratios

The Company uses certain non-IFRS financial measures and ratios for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections. These measures and ratios are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly-titled measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures and ratios by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We present the following non-IFRS financial measures;

- “Adjusted selling, general and administration expenses” is presented as a supplemental measure because we believe it facilitates a comparative assessment of our selling, general and administration expenses under IFRS, while isolating the effects of some items that are non-recurring by nature or which vary from period to period.
- “Adjusted results from operating activities” is presented as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that are non-recurring by nature or which vary from period to period.

- (c) “Adjusted net (loss) income” is presented as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that are non-recurring by nature or which vary from period to period.
- (d) “Adjusted EBITDA” is presented as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that are non-recurring by nature or which vary from period to period. Specifically, Adjusted EBITDA allows for an assessment of our operating performance and our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, finance costs, non-cash compensation expense, loss on disposal of property and equipment, impairment of property and equipment and right-of-use assets, stock-based compensation and certain non-recurring expenses. This measure also functions as a benchmark to evaluate our operating performance.

We also present the following non-IFRS ratios:

- (a) “Adjusted net (loss) income per common share” for purposes of evaluating underlying business performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period to period.
- (b) Adjusted EBITDA as a percentage of sales is calculated by dividing adjusted EBITDA as defined above by the sales figures for a period.

The use of non-IFRS financial measures and ratios provides complementary information that excludes items that do not reflect our core performance or where their exclusion would assist users in understanding our results for the period. For these reasons, a significant number of users of our MD&A analyze our results based on these financial measures. Management believes these measures help users of our MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Management believes that these non-IFRS financial measures and ratios in addition to IFRS measures and ratios provide users of our financial reports with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business.

We believe that although these non-IFRS financial measures provide investors with useful information with respect to our historical operations and are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as an analytical tool. Some of these limitations are:

- Adjusted selling, general and administration expenses, Adjusted results from operating activities, Adjusted net (loss) income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted selling, general and administration expenses, Adjusted results from operating activities, Adjusted net (loss) income and Adjusted EBITDA do not reflect the cash requirements necessary to fund capital expenditures; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Because of these limitations, these non-IFRS financial measures should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations.

The following tables provide reconciliations of our non-IFRS financial measures and ratios to the most directly-comparable measure calculated in accordance with IFRS:

Reconciliation of Selling, general and administration expenses to Adjusted selling, general and administration expenses

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Selling, general and administration expenses	\$ 10,925	\$ 10,242	\$ 32,784	\$ 28,521
Software implementation and configuration costs (a)	(1,142)	(641)	(3,222)	(3,095)
Government emergency wage and rent subsidy (b)	—	758	—	4,354
Impairment of property and equipment and right-of-use assets (c)	(258)	—	(258)	—
Adjusted selling, general and administration expenses	\$ 9,525	\$ 10,359	\$ 29,304	\$ 29,780

- (a) Represents costs related to implementation and configuration of software solutions.
- (b) Represents the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan.
- (c) Represents costs related to impairment of property and equipment and right-of-use assets within our retail stores.

Reconciliation of Results from operating activities to Adjusted results from operating activities

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Results from operating activities	\$ (4,643)	\$ (1,821)	\$ (11,230)	\$ 75,822
Software implementation and configuration costs (a)	1,142	641	3,222	3,095
Restructuring plan activities, net (b)	—	195	—	(76,964)
Government emergency wage and rent subsidy (c)	—	(758)	—	(4,354)
Impairment of property and equipment and right-of-use assets (d)	258	—	258	—
Adjusted results from operating activities	\$ (3,243)	\$ (1,743)	\$ (7,750)	\$ (2,401)

- (a) Represents costs related to implementation and configuration of software solutions.
- (b) Represents the net gain related to the Restructuring Plan activities which were completed in Fiscal 2021.
- (c) Represents the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan.
- (d) Represents costs related to impairment of property and equipment and right-of-use assets for within our retail stores.

Reconciliation of Net (loss) income to Adjusted net loss

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net (loss) income	\$ (4,717)	\$ (1,864)	\$ (11,526)	\$ 76,836
Software implementation and configuration costs (a)	1,142	641	3,222	3,095
Restructuring plan activities, net (b)	—	195	—	(76,964)
Government emergency wage and rent subsidy (c)	—	(758)	—	(4,354)
Recovery of income taxes (d)	—	—	—	(1,000)
Impairment of property and equipment and right-of-use assets (e)	258	—	258	—
Adjusted net loss	\$ (3,317)	\$ (1,786)	\$ (8,046)	\$ (2,387)

- (a) Represents costs related to implementation and configuration of software solutions.
- (b) Represents the net gain related to the Restructuring Plan activities which were completed in Fiscal 2021.
- (c) Represents the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan.
- (d) Represents the reversal of the previously accrued estimate of income tax liabilities that were compromised by the Restructuring Plan.
- (e) Represents costs related to impairment of property and equipment and right-of-use assets within our retail stores.

Reconciliation of fully diluted net (loss) earnings per common share to Adjusted fully diluted net loss per common share

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Weighted average number of shares outstanding, fully diluted	26,566,441	26,359,969	26,493,484	27,584,128
Adjusted weighted average number of shares outstanding, fully diluted	26,566,441	26,359,969	26,493,484	26,300,289
Net (loss) income	\$ (4,717)	\$ (1,864)	\$ (11,526)	\$ 76,836
Adjusted net loss	\$ (3,317)	\$ (1,786)	\$ (8,046)	\$ (2,387)
Net (loss) earnings per common share, fully diluted	\$ (0.18)	\$ (0.07)	\$ (0.44)	\$ 2.79
Adjusted net loss per common share, fully diluted	\$ (0.12)	\$ (0.07)	\$ (0.30)	\$ (0.09)

Reconciliation of Net (loss) income to Adjusted EBITDA

	For the three-months ended		For the nine-months ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net (loss) income	\$ (4,717)	\$ (1,864)	\$ (11,526)	\$ 76,836
Finance costs	194	71	532	104
Finance income	(120)	(28)	(236)	(118)
Depreciation and amortization	884	1,043	2,644	3,019
Recovery of income taxes	—	—	—	(1,000)
EBITDA	\$ (3,759)	\$ (778)	\$ (8,586)	\$ 78,841
Additional adjustments:				
Stock-based compensation expense (a)	355	392	1,063	937
Software implementation and configuration costs (b)	1,142	641	3,222	3,095
Restructuring plan activities, net (c)	—	195	—	(76,964)
Government emergency wage and rent subsidy (d)	—	(758)	—	(4,354)
Impairment of property and equipment and right-of-use assets (e)	258	—	258	—
Adjusted EBITDA	\$ (2,004)	\$ (308)	\$ (4,043)	\$ 1,555

(a) Represents non-cash stock-based compensation expense.

(b) Represents costs related to implementation and configuration of software solutions.

(c) Represents the net gain related to the Restructuring Plan activities which were completed in Fiscal 2021.

(d) Represents the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan.

(e) Represents costs related to impairment of property and equipment and right-of-use assets within our retail stores.

Operating results for the three-months ended October 29, 2022, compared to the operating results for the three-months ended October 30, 2021

Sales. Sales decreased 27.1%, or \$6.0 million, to \$16.2 million in the quarter ended October 29, 2022, compared to \$22.2 million in the prior year quarter. Sales in Canada of \$12.9 million, representing 79.7% of total revenues, decreased \$5.0 million or 28.1% compared to the prior year quarter. U.S. sales of \$3.3 million decreased by \$1.0 million or 23.0% compared to the prior year quarter. Sales from e-commerce decreased by \$4.3 million or 29.5% to \$10.2 million from \$14.5 million in the prior year quarter. Sales from our wholesale channel decreased \$1.1 million or 41.8% to \$1.6 million from \$2.7 million in the prior year quarter. This decrease is explained primarily by discounting on older formats as we transitioned to our new individually wrapped sachets. Brick-and-mortar sales for the quarter of \$4.4 million were impacted by reduced consumer traffic, decreasing \$0.6 million or 12.5% compared to the prior year quarter. E-commerce, wholesale, and brick-and-mortar sales represented 62.9%, 9.8% and 27.3% of sales, respectively compared to 65.0%, 12.2% and 22.8%, respectively in the prior year quarter.

Gross Profit. Gross profit of \$6.3 million for the three-months ended October 29, 2022 decreased by \$2.3 million or 27.1% from the prior year quarter due to a decline in sales during the period, partially offset by lower delivery and distribution costs, compared to the prior year quarter. Gross profit as a percentage of sales was 38.8% for the quarter, consistent with the prior year quarter.

Selling, General and Administration Expenses. Selling, general and administration expenses (“SG&A”) increased \$0.7 million or 6.7% to \$10.9 million in the third quarter compared to the prior year quarter. Excluding the impact of software implementation and configuration costs, the impact of the wage and rent subsidies received under the Canadian government COVID-19 Economic Response Plan, and the impairment of property and equipment and right-of-use assets, Adjusted SG&A decreased by \$0.8 million or 8.1% to \$9.5 million in the quarter. The drop in SG&A expenses is primarily due to a decrease in marketing expenses and credit card fees partially offset by increases in IT ongoing expenses as the Company continues its transformation to an omnichannel organization. Adjusted SG&A as a percentage of sales in the quarter increased to 58.9% from 46.7% in the prior year quarter.

Results from Operating Activities. Loss from operating activities during the quarter was \$4.6 million compared to a loss of \$1.8 million in the prior year quarter. Excluding the impact of the Restructuring plan activities, net, the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan, and software implementation and configuration costs, and the impairment of property and equipment and right-of-use assets, Adjusted operating loss amounted to \$3.2 million in the third quarter compared to an Adjusted operating loss of \$1.7 million in the prior year quarter. The increased Adjusted operating loss results primarily from a decline in sales, lower gross profit and increased SG&A expenses in pursuit of the ongoing transformation to become a digital first organization.

Finance Costs. Finance costs amounted to \$194 thousand in the three-months ended October 29, 2022 and compares unfavorably to the prior year period due primarily to the interest expense on our right-of-use assets.

Finance Income. Finance income of \$120 thousand, which is derived mainly from interest on cash on hand, decreased slightly from the prior year quarter.

Net loss. Net loss was \$4.7 million in the quarter compared to a Net loss of \$1.9 million in the prior year quarter. Adjusted net loss, which excludes the impact of Restructuring plan activities, net, the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan, software implementation and configuration costs, and the impairment of property and equipment and right-of-use assets, amounted to a Net loss of \$3.3 million compared to a Net loss of \$1.8 million in the prior year quarter.

Fully diluted loss per common share. Fully diluted loss per common share was \$0.18 in the quarter ended October 29, 2022 compared to a fully diluted loss per common share of \$0.07 in the prior year quarter. Adjusted fully diluted loss per common share was \$0.12 in the quarter ended October 29, 2022 compared to an Adjusted fully diluted loss per common share of \$0.07 in the prior year quarter.

EBITDA and Adjusted EBITDA. EBITDA, which excludes non-cash and other items in the current and prior periods, was negative \$3.8 million in the quarter ended October 29, 2022 compared to negative \$0.8 million in the prior year quarter representing a decrease of \$3.0 million over the prior year quarter. Adjusted EBITDA for the quarter ended October 29, 2022 was negative \$2.0 million compared to negative \$0.3 million for the same period in the prior year. The decrease in Adjusted EBITDA of \$1.7 million reflects the impact of a sales decline of \$6.0 million, lower gross profit and increased SG&A expenses.

Operating results for the nine-months ended October 29, 2022, compared to the operating results for the nine-months ended October 30, 2021

Sales. Sales for the nine-months ended October 29, 2022 decreased by 19.5% or \$12.5 million, to \$51.7 million from \$64.2 million in the prior year period. Sales in Canada of \$42.3 million, representing 81.9% of total revenues, decreased \$8.8 million or 17.3% over the prior year period. U.S. sales of \$9.4 million decreased by \$3.7 million or 28.3% over the prior year period. Sales from e-commerce decreased by \$16.2 million or 34.1% to \$31.3 million from \$47.5 million in the prior year period as we transition from last year's pandemic-fueled surge of online sales to serving consumers throughout our omni-channel capabilities. Sales from our wholesale channel increased by \$1.8 million or 33.5% to \$7.0 million from \$5.2 million in the prior year period. Brick-and-mortar sales increased by \$1.9 million or 16.8% to \$13.3 million from \$11.4 million in the prior year period. E-commerce, wholesale, and brick-and-mortar sales represented 60.7%, 13.5% and 25.8% of sales, respectively compared to 74.1%, 8.1% and 17.8% of sales, respectively in the prior year period.

Gross Profit. Gross profit decreased by 21.3% or \$5.8 million to \$21.6 million in the nine-month period ended October 29, 2022 in comparison to the prior period due primarily to a decline in sales and a lower gross margin, partially offset by lower delivery and distribution costs and lower retail lease expense compared to the prior year period. Gross profit as a percentage of sales decreased to 41.7% for the nine-month period ended October 29, 2022 from 42.6% in the prior year period.

Selling, General and Administration Expenses. SG&A increased by \$4.3 million or 14.9% to \$32.8 million in the nine-month period ended October 29, 2022 from the same period in the prior year. Excluding the impact of non-recurring software implementation and configuration costs, the impact of the wage and rent subsidies received under the Canadian government COVID-19 Economic Response Plan, and the impairment of property and equipment and right-of-use assets, Adjusted SG&A decreased by \$0.5 million to \$29.3 million in the nine-month period ended October 29, 2022. Adjusted SG&A as a percentage of sales increased to 56.7% from 46.4% in the prior year period.

Restructuring plan activities, net. Restructuring plan activities, net was \$nil for the nine-month period ended October 29, 2022 compared to a gain of \$76.9 million in the prior year period.

Results from Operating Activities. Results from operating activities during the nine-month period ended October 29, 2022 was negative \$11.2 million compared to \$75.8 million in the prior year period. Excluding the impact of the Restructuring Plan, the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan, non-recurring software implementation costs, and the impairment of property and equipment and right-of-use assets, Adjusted operating loss amounted to \$7.8 million in the nine-month period ended October 29, 2022, compared to an Adjusted operating loss of \$2.4 million in the prior year period. The increase in Adjusted operating loss results from a decrease in sales of \$12.5 million, partially offset by a reduction in operating costs.

Finance Costs. Finance costs amounted to \$0.5 million in the nine-month period ended October 29, 2022, an increase of \$0.4 million from the prior year period. The interest expense relates to the accounting for lease liabilities.

Finance Income. Finance income of \$236 thousand is derived mainly from interest on cash on hand and has increased \$118 thousand from \$118 thousand in the prior year period.

Net income (loss). Net loss was \$11.5 million in the nine-month period ended October 29, 2022 compared to a Net income of \$76.8 million in the prior year period. Adjusted net loss, which excludes the Restructuring plan activities, net, the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan, non-recurring software implementation costs, recovery of income taxes, and the impairment of property and equipment and right-of-use assets, amounted to \$8.0 million compared to a Net loss of \$2.4 million in the prior year period.

Fully diluted net (loss) earnings per common share. Fully diluted net loss per common share was \$0.44 in nine-month period ended October 29, 2022 compared to fully diluted net earnings of \$2.79 per common share in the same period in the prior year. Adjusted fully diluted loss per common share, which is Adjusted net loss on a fully diluted weighted average shares outstanding basis, was \$0.30, compared to a loss of \$0.09 in the prior year period.

EBITDA and Adjusted EBITDA. EBITDA, which excludes non-cash and other items in the current and prior periods, was negative \$8.6 million in the nine-month period October 29, 2022 compared to \$78.8 million in the prior year period representing a decrease of \$87.4 million over the prior year period. Adjusted EBITDA for the nine-months ended October 29, 2022, which excludes the impact of stock-based compensation expense, the impairment of property and equipment and right-of-use assets, the Restructuring Plan activities, net, the wage and rent subsidies received from the Canadian government under the COVID-19 Economic Response Plan, non-recurring software implementation costs, and the impairment of property and equipment and right-of-use assets, was negative \$4.0 million compared to \$1.6 million in the prior year period. The decrease in Adjusted EBITDA of \$5.6 million is explained by a decrease in Gross profit of \$5.8 million offset by a decrease in Adjusted SG&A expenses.

Summary of quarterly results

Due to seasonality and the timing of holidays, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. The table below presents selected consolidated financial data for the eight most recently completed quarters.

	Fiscal Year 2022				Fiscal Year 2021			Fiscal Year 2020
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	16,176	15,207	20,287	39,878	22,203	18,743	23,249	40,189
Net (loss) income	(4,717)	(4,835)	(1,974)	1,291	(1,863)	75,477	3,221	(27,222)
EBITDA ¹	(3,759)	(3,851)	(976)	2,613	(778)	75,493	4,126	(25,918)
Adjusted EBITDA ¹	(2,004)	(2,128)	89	3,696	(308)	(641)	2,505	5,384
Net (loss) earnings per share:								
Basic	(0.18)	(0.18)	(0.07)	0.05	(0.07)	2.87	0.12	(1.04)
Fully diluted	(0.18)	(0.18)	(0.07)	0.05	(0.07)	2.75	0.12	(1.00)
Adjusted fully diluted ¹	(0.12)	(0.13)	(0.05)	0.13	(0.01)	(0.07)	0.05	0.15
Weighted average number of shares outstanding:								
Basic	26,566,441	26,487,933	26,426,055	26,393,118	26,359,969	26,299,094	26,296,690	26,228,206
Fully diluted	26,566,441	26,487,933	26,426,055	27,614,734	26,359,969	27,455,005	27,400,840	27,140,065
Cash	16,131	19,048	22,680	25,107	13,367	12,051	31,321	30,197
Accounts receivable	3,937	2,497	3,197	3,209	4,602	6,986	6,625	6,157
Prepaid expenses and depositions	6,137	5,172	4,479	4,142	4,835	5,580	11,578	14,470
Inventories	29,985	30,234	28,359	31,048	39,802	38,055	29,258	23,468
Trade and other payables	14,445	11,701	8,966	12,300	13,958	12,533	6,154	4,152

Liquidity and Capital Resources

As at October 29, 2022, the Company had \$16.1 million of cash held by major Canadian financial institutions.

Working capital was \$33.7 million as at October 29, 2022 compared to \$43.4 million as at January 29, 2022. The decrease in working capital of \$9.7 million is explained by a decrease in current assets of \$7.3 million and an increase in current liabilities of \$2.4 million.

Working capital requirements are for the purchase of inventory, payment of payroll and other operating costs, including software purchases and implementation costs. Working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as the Company take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. The Company funds its operating, capital and working capital requirements from a combination of cash on hand and cash provided by operating activities.

On August 23, 2022, a revolving line of credit on demand with the Bank of Nova Scotia was established for up to \$15.0 million, less a reserve of \$0.5 million for credit cards based on eligible accounts receivable and inventory balances and subject to financial covenants required to be calculated and met starting January 28, 2023. The credit facility will bear interest at the prime rate plus 1%, renewable annually at the lender's option. In addition, Investissement Québec has provided a loan loss guarantee under its "Loan Loss Program", securing 50% of any loss incurred by the Bank of Nova Scotia with respect to the recovery of indebtedness under the line of credit.

As at October 29, 2022, the Company has financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company, amounting to \$8.3 million, net of \$659 thousand of advances, which are expected to be discharged within 12 months.

Cash Flows

A summary of our cash flows (used in) provided by operating and financing activities is presented in the following table:

	<u>For the three-months ended</u>		<u>For the nine-months ended</u>	
	<u>October 29,</u> <u>2022</u>	<u>October 30,</u> <u>2021</u>	<u>October 29,</u> <u>2022</u>	<u>October 30,</u> <u>2021</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash flows used in:				
Operating activities	(2,164)	1,553	(6,577)	(16,219)
Financing activities	(753)	(237)	(2,271)	(559)
Investing activities	—	—	(128)	(52)
Decrease in cash	(2,917)	1,316	(8,976)	(16,830)

Three-months ended October 29, 2022 compared to three-months ended October 30, 2021

Cash flows used in operating activities. Net cash used in operating activities amounted to \$2.2 million for the quarter ended October 29, 2022, representing a change of \$3.7 million from the net cash used in operations of \$1.5 million in the prior year quarter. The decrease is primarily due to the loss reported this quarter.

Cash flows used in financing activities. Net cash flows used in financing activities of \$753 thousand during the quarter ended October 29, 2022 represents an increase of \$516 thousand compared to the prior year quarter due to an increase in lease repayments.

Nine-months ended October 29, 2022 compared to nine-months ended October 30, 2021

Cash flows used in operating activities. Net cash used in operating activities amounted to \$6.6 million for the nine-month period ended October 29, 2022, representing a change of \$9.6 million from the net cash used in operations of \$16.2 million in the prior year period. The decrease is primarily due to decrease in inventory over the prior period, offset by an increase in the net loss.

Cash flows used in financing activities. Net cash flows used in financing activities of \$2.3 million during the nine-month period ended October 29, 2022 represents an increase of \$1.7 million compared to the prior year period due to an increase in lease repayments.

Off-Balance Sheet Arrangements

Other than certain operating lease obligations and purchase commitments disclosed elsewhere, we have no other off-balance sheet obligations.

Contractual Obligations and Commitments

In the normal course of business, we enter into contractual arrangements that will require us to disburse cash over future periods. All commitments have been recorded in our consolidated balance sheets, except for the purchase of goods and services that are expected to be received in future periods. As of October 29, 2022, the Company had financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company, exclusive of additional amounts based on sales, taxes and other costs amounting to \$8.3 million, net of \$659 thousand of advances (January 29, 2022 - \$11.3 million, net of \$542 thousand of advances). These contractual obligations and commitments are expected to be discharged within 12 months.

Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgment involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed under Note 5 to our consolidated financial statements for the year ended January 29, 2022 included in our Annual Report on Form 10-K dated April 29, 2022. There have been no material changes to the critical accounting policies and estimates since January 29, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the foreign exchange and interest rate risk discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K dated April 29, 2022.

We are exposed to foreign currency exchange risk on purchases of our teas and tea accessories.

A significant portion of our tea and tea accessory purchases are in U.S. dollars as is our revenue from U.S. e-commerce customers. As a result, our statement of loss and cash flows could be adversely impacted by changes in exchange rates, primarily between the U.S. dollar and the Canadian dollar.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive and Brand Officer and our President, Chief Financial and Operating Officer, evaluated the effectiveness of our disclosure controls and procedures as of October 29, 2022. The term “disclosure controls and procedures”, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on the assessment of our disclosure controls and procedures, our management concluded that our disclosure controls and procedures were effective as of October 29, 2022.

Changes in Internal Control over Financial Reporting

There were no significant changes in our internal control over financial reporting during the quarter ended October 29, 2022 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of any matters in which we are currently involved will have a material adverse effect on our business, financial condition, or operating results. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company is subject to a claim amounting to \$350,000 from a third-party service provider for which services were rendered prior to July 8, 2020, when the Company announced it was implementing the Restructuring Plan under the Companies' Creditors Arrangement Act. At this stage, it is too early to determine whether the claim has a legal merit and the final amount of settlement, if any.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors previously disclosed in our Form 10-K for the fiscal year ended January 29, 2022.

On October 28, 2022, the Company, received a letter from The Nasdaq Stock Market LLC ("Nasdaq"), notifying the Company that for the past 30 consecutive business days, the closing bid price per share of its common stock was below the \$1.00 minimum bid price requirement for continued listing on The Nasdaq Capital Market, as required by Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). As a result, the Company was notified by Nasdaq that it is not in compliance with the Bid Price Rule. Nasdaq has provided the Company with 180 calendar days, or until April 26, 2023, to regain compliance with the Bid Price Rule. This notification has no immediate effect on the Company's listing on the Nasdaq Capital Market or on the trading of the Company's common stock.

There can be no assurance that we will be able to regain compliance with Nasdaq's continued listing requirements. The failure to regain compliance prior to April 26, 2023 may result in the Company's common stock being delisted from Nasdaq and it could be more difficult to buy or sell our securities and to obtain accurate quotations, and the price of our common stock could suffer a material decline. In addition, a delisting would impair our ability to raise capital through the public markets, could deter broker-dealers from making a market in or otherwise seeking or generating interest in our securities and might deter certain institutions and persons from investing in our securities at all.

Item 2. Unregistered Sales of Equity Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

[31.1](#) [Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[31.2](#) [Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.](#)

[32.1](#) [Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

[32.2](#) [Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).

101.SCH Inline XBRL Taxonomy Extension Schema Document.

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAVIDsTEA INC.

Date: December 13, 2022

By: /s/ Sarah Segal
Name: Sarah Segal
Title: Chief Executive Officer and Chief Brand Officer

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sarah Segal, Chief Executive and Brand Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 29, 2022 of DAVIDsTEA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2022

/s/ Sarah Segal

Sarah Segal
Chief Executive Officer and Chief Brand Officer

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frank Zitella, President, Chief Financial and Operating Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 29, 2022 of DAVIDsTEA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2022

/s/ Frank Zitella
Frank Zitella
President, Chief Financial and Operating Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DAVIDsTEA Inc. (the “Company”) on Form 10-Q for the period ended October 29, 2022, as filed with the Securities and Exchange Commission (the “Report”), I, Sarah Segal, Chief Executive and Brand Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 13, 2022

/s/ Sarah Segal

Sarah Segal
Chief Executive Officer and Chief Brand Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DAVIDsTEA Inc. (the “Company”) on Form 10-Q for the period ended October 29, 2022, as filed with the Securities and Exchange Commission (the “Report”), I, Frank Zitella, President, Chief Financial and Operating Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 13, 2022

/s/ Frank Zitella

Frank Zitella
President, Chief Financial and Operating Officer