



DAVIDsTEA Reports Improved Financial Results for Third Quarter of Fiscal 2024

Strong sales momentum combined with improved financial performance and operational efficiencies

- Sales of \$14.0 million, an increase of 15.6% over the prior year
- Gross profit margin of 51.5%, significantly better compared to 37.9% in prior year
- Net loss of \$1.6 million, an improvement from a loss of \$3.7 million in prior year
- Adjusted EBITDA¹ of \$0.8 million versus negative \$2.5 million in prior year
- Two flagship store openings in Montreal: Royalmount and Eaton Centre

MONTREAL, December 17, 2024 - DAVIDsTEA Inc. (TSX-Venture: DTEA) (“DAVIDsTEA” or the “Company”), a leading tea merchant in North America, announced today its financial results for the third quarter ended November 2, 2024.

“We are highly encouraged by our ongoing sales momentum in the third quarter of 2024 with double-digit growth across all distribution channels year-over-year,” said Sarah Segal, Chief Executive Officer and Chief Brand Officer, DAVIDsTEA. “This strong performance reflects our value proposition that continues to resonate with consumers, offering a wide assortment of premium teas and accessories for the holiday season, along with unmatched product quality and seasonal collection drops. Equally important, our omnichannel growth strategy is gaining traction, supported by our presence across physical stores, online platforms, and wholesale partnerships. Simply put, we are thrilled that tea lovers are discovering and rediscovering the world of DAVIDsTEA.”

“In September, we launched our 19th store at the prestigious Royalmount Mall followed by the opening of our 20th store at Montreal's Eaton Centre in November. These latest milestones highlight our commitment to the sensory in-store retail experience and strengthening of our presence in key markets. Our focus remains on delivering exceptional value, service, and innovation, ensuring we meet customers wherever they are. At the same time, we are steadfast in our intent to significantly expand our store footprint over the next three years and drive sustained, profitable growth, while reconnecting with many communities that already know us,” added Ms. Segal.

“We are pleased with our financial performance and improved working capital management in the third quarter,” said Frank Zitella, President, Chief Financial and Operating Officer, DAVIDsTEA. “For the first time in recent memory, we generated positive cash flow from operations, which strengthened our cash position on a sequential basis. Additionally, we successfully transitioned to a more agile and cost-effective IT platform, which will enable us to better engage with new customers and deepen relationships with existing ones. While this transition necessitated a \$3.1 million write-off in the quarter, it should generate annual cost savings of approximately \$4 million.”

¹ Please refer to “Use of Non-IFRS Financial Measures and Ratios” in this press release.

“Moving forward, we’ll continue sharpening working capital and supply chain levers to take advantage of further cost-saving opportunities and drive demand in each of our channels to achieve sustained profitability in 2025. Our improved gross profit margin of 51.5%, compared to 37.9% in the prior year, reflects the success of our efforts to optimize our operations and deliver value to both consumers and shareholders.”

Operating Results for the Third Quarter of Fiscal 2024

Three Months Ended November 2, 2024 compared to Three Months Ended October 28, 2023

Sales. Sales for the third quarter of fiscal 2024 increased by \$1.9 million to \$14.0 million, or 15.6%, compared to the prior year quarter. Sales in Canada, which accounted for 85.5% of total revenue, grew by \$1.5 million, or 13.8%, compared to the same quarter last year. U.S. sales grew by \$0.4 million or 27.6% compared to the prior year quarter.

The Company’s focus has been on delivering a value proposition that resonates with consumers supported by a memorable experience, both in person and online, to generate sales while dealing with macro-economic headwinds.

- **Online sales** of \$6.3 million increased by \$0.6 million, or 11.4%, from \$5.7 million in the prior year quarter. Online sales represented 45.3% of sales compared to 47.0% of sales in the prior year quarter.
- **Brick-and-mortar sales** of \$4.7 million increased by \$0.8 million, or 19.2%, from \$3.9 million for the same period in the prior year. Brick-and-mortar sales represented 33.7% of sales compared to 32.6% of sales in the prior year quarter.
- **Wholesale channel sales** of \$3.0 million increased by \$0.5 million, or 19.3%, from \$2.5 million in the prior year quarter. Wholesale sales represented 21.0% of sales compared to 20.4% of sales in the prior year quarter.

Gross profit. Gross profit increased by 56.8% to \$7.2 million from the prior year quarter due to higher sales, better product margin and a decrease in unitized freight, shipping and fulfillment costs. Gross profit as a percentage of sales increased to 51.5% for the quarter compared to 37.9% in the prior year quarter. At a segment level, Gross profit as a percentage of sales reached 49.8% and 61.5% in the quarter compared to 36.8% and 45.1% in the prior year quarter in Canada and in the U.S., respectively.

Selling, general and administration expenses. Selling, general and administration expenses (“SG&A”) of \$8.7 million increased by \$0.4 million, or 4.5%, compared to the prior year quarter. This increase includes amounts due under onerous IT contracts of \$3.1 million and software implementation costs of \$0.6 million, partially offset by a reversal of impairment of property and equipment of \$2.1 million. Adjusting SG&A for non-recurring items, these expenses would have amounted to \$7.1 million, an improvement of \$1.0 million or 12.6% over the prior year quarter. As a percentage of sales, and after adjusting SG&A for non-recurring items, SG&A expenses decreased to 50.7% in the third quarter from 67.0% in the prior year quarter.

During the third quarter, the Company transitioned its complete IT infrastructure to a lower cost and more agile set of solutions. Existing service contracts for technology no longer in use were fully recognized in the quarter resulting in a loss of \$3.1 million.

The resulting pro-forma annualized cost savings are estimated at \$4.0 million which triggered a review of previously recorded impairment of property and equipment in the Company’s retail stores, each of which is considered a cash generating unit (“CGU”). The recoverable amount of each CGU was assessed by taking a fair value less cost of disposal method and calculated based on an EBITDA multiple. The resulting recoverable

amount was then compared to the carrying amount of each CGU, which led the Company to reverse impairments related primarily to leasehold improvements expensed in both the prior and current year. A reversal of previously impaired property and equipment of \$2.1 million was recorded in the quarter.

EBITDA and Adjusted EBITDA¹. EBITDA was negative \$0.8 million in the quarter compared to negative \$2.8 million in the prior year quarter. Adjusted EBITDA was \$0.8 million compared to negative \$2.5 million for the same period in the prior year. The increase in Adjusted EBITDA of \$3.3 million reflects the impact of higher Sales and Gross profit, along with a decrease in ongoing SG&A expenses.

Net loss. Net loss totaled \$1.6 million in the quarter compared to a net loss of \$3.7 million in the prior year quarter. Adjusted net income was \$12.0 thousand in the quarter compared to an adjusted net loss of \$3.5 million in the prior year quarter.

Fully diluted net loss per share. Fully diluted net loss per common share amounted to \$0.06 in the third quarter compared to a fully diluted net loss per common share of \$0.14 in the prior year quarter. Adjusted fully diluted net income per common share¹, which is adjusted net income on a fully diluted weighted average shares outstanding basis, was nil in the quarter compared to an adjusted fully diluted net loss of \$0.13 in the prior year quarter.

Liquidity and Capital Resources

As at November 2, 2024, the Company had \$7.9 million of cash held by major Canadian financial institutions.

Working capital was \$10.4 million as at November 2, 2024 compared to \$19.7 million as at February 3, 2024. The decrease in working capital can be attributed to reduced cash and prepaid expenses and deposits and an increase in accounts payable. These items were partially offset by an increase in accounts receivable and a decrease in deferred revenue.

The Company is progressing toward positive earnings, which will strengthen its balance sheet, support working capital, and enable future investments.

As at November 2, 2024, the Company had financial commitments in connection with the purchase of goods and services that are enforceable and legally binding, amounting to \$4.8 million, net of \$0.5 million of advances (February 3, 2024 - \$9.9 million, net of \$0.4 million of advances) which are expected to be discharged within 12 months.

Use of Non-IFRS Financial Measures and Ratios

This press release includes “non-IFRS financial measures” defined as including: 1) EBITDA and Adjusted EBITDA, 2) Adjusted net (loss) income, and 3) Adjusted fully diluted (loss) income per common share. These non-IFRS financial measures are not defined by or in accordance with IFRS and may differ from similar measures reported by other companies. DAVIDS^{TEA} believes that these non-IFRS financial measures provide knowledgeable investors with useful information with respect to its historical operations. The Company presents these non-IFRS financial measures as supplemental performance measures because it believes they facilitate a comparative assessment of operating performance relative to performance based on results under IFRS, while isolating the effects of some items that vary from period-to-period but not in substitution to IFRS financial measures.

Please refer to the non-IFRS financial measures section in the Company’s Management Discussion and Analysis for a reconciliation to IFRS financial measures.

¹ Please refer to “Use of Non-IFRS Financial Measures and Ratios” in this press release.

Note

This release should be read in conjunction with the Company's Management Discussion and Analysis, which is filed by the Company with Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca.

Condensed Consolidated Financial Data

(Canadian dollars, in thousands, except per share information)

	For the three-months ended		For the nine-months ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Sales	\$ 14,039	\$ 12,145	\$ 38,565	\$ 36,292
Cost of sales	6,815	7,539	20,270	22,428
Gross profit	7,224	4,606	18,295	13,864
Selling, general and administration expenses	8,700	8,325	23,860	23,955
Results from operating activities	(1,476)	(3,719)	(5,565)	(10,091)
Finance costs	185	143	450	502
Finance income	(86)	(132)	(306)	(628)
Net loss	\$ (1,575)	\$ (3,730)	\$ (5,709)	\$ (9,965)
Sales - by country				
Canada	\$ 12,007	\$ 10,553	\$ 33,366	\$ 31,129
USA	2,032	1,592	5,199	5,163
Sales - by channel				
Online	6,358	5,705	18,584	18,226
Retail	4,727	3,964	13,442	11,784
Wholesale	\$ 2,954	\$ 2,476	\$ 6,539	\$ 6,282
EBITDA¹				
EBITDA ¹	\$ (758)	\$ (2,817)	\$ (3,537)	\$ (7,447)
Adjusted EBITDA ¹	845	(2,467)	(283)	(5,947)
Adjusted net income (loss) ¹	12	(3,546)	(2,597)	(9,051)
Adjusted fully diluted net income (loss) per common shares ¹	\$ 0.00	\$ (0.13)	\$ (0.10)	\$ (0.34)
Gross profit as a percentage of sales	51.5%	37.9%	47.4%	38.2%
SG&A expenses as a percentage of sales	62.0%	68.5%	61.9%	66.0%
Cash flows				
Cash flows provided by (used in) operating activities	\$ 2,665	\$ (622)	\$ (892)	\$ (6,384)
Cash flows used in financing activities	(825)	(789)	(2,385)	(2,330)
Cash used in investing activities	(608)	(1,048)	(1,381)	(1,992)
Decrease in cash during the period	1,232	(2,459)	(4,658)	(10,706)
Cash, end of period	\$ 7,942	\$ 11,734	\$ 7,942	\$ 11,734
As at				
Cash	\$ 7,942	\$ 6,710	\$ 8,772	\$ 12,600
Accounts and other receivables	2,974	1,523	1,551	1,800
Prepaid expenses and deposits	2,214	4,326	5,687	5,877
Inventories	15,822	16,024	17,094	15,658
Trade and other payables	\$ 11,687	\$ 6,553	\$ 8,935	\$ 8,662

¹ Please refer to "Use of Non-IFRS Financial Measures and Ratios" in this press release.

Caution Regarding Forward-Looking Statements

This press release includes statements that express our opinions, expectations, beliefs, plans or assumptions regarding future events or future results and there are, or may be deemed to be, “forward-looking statements” within the meaning of applicable Canadian securities law. 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, and our results of operations, financial condition, liquidity and prospects. The Company can give no assurance that it will more than double its Canadian store footprint in the next three years.

While we believe these opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including the risk factors discussed in Management Discussion and Analysis of Financial Condition and Results of Operations for our fiscal year ended February 3, 2024, filed with the Autorité des marchés financiers, on May 2, 2024 which could materially affect our business, financial condition or future results.

Conference Call Information

A conference call to discuss third quarter results for fiscal 2024 is scheduled for December 17, 2024, at 8:30 am Eastern Time. The conference call will be webcast and may be accessed via <https://www.gowebcasting.com/13864>. An online archive of the webcast will be available within two hours of the conclusion of the call.

About DAVIDsTEA

DAVIDsTEA 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 4,000 grocery stores and pharmacies, over 1,500 convenience stores in Canada and 170 grocery stores in the United States, as well as 20 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. The team’s passion for and knowledge of tea permeates the Company’s 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. The Company is headquartered in Montréal, Canada.

Contact Information

MBC Capital Markets Advisors
Pierre Boucher
514-731-0000

DAVIDsTEA Investor Relations
investors@davidstea.com