



DAVIDsTEA Reports Third Quarter Results

Retail momentum, disciplined execution, and strengthened liquidity position Company for growth

Key Highlights

- Sales totaled \$12.6 million in the quarter compared to \$14.0 million in the prior-year quarter
- Retail and comparable store sales growth of 2.9%, resulting in a 21% two-year stack, reflecting continued retail momentum
- SG&A expenses decreased 26.5% in the quarter to \$6.4 million, driven by a materially lower operating cost base
- Net loss narrowed to \$0.6 million, from \$1.6 million in the prior-year quarter
- \$2.7 million revenue-linked financing completed during the quarter and \$3.0 million private placement closed post quarter-end
- New store opened at Laurier Québec Mall in December with goal of adding 6 new locations in fiscal 2026

MONTREAL, December 16, 2025 - DAVIDsTEA Inc. (TSX-Venture: DTEA) (“DAVIDsTEA” or the “Company”), a leading North American tea merchant, announced today its financial results for the third quarter of fiscal 2025, ended November 1, 2025.

“Our focus remains on delivering profitable quarters while achieving our annual sales targets. We intentionally timed key marketing initiatives to align with the holiday season and the seasonally stronger fourth quarter, and we continue to make meaningful progress executing our store-led omnichannel strategy,” said Sarah Segal, Chief Executive Officer and Chief Brand Officer, DAVIDsTEA. “Both brick-and-mortar and comparable store sales increased 2.9% in the quarter, which comes on top of the 18.1% increase compared to Q3 2024, underscoring the strength of physical retail as the primary driver of brand engagement, product discovery, and long-term customer value.”

“While online and wholesale channels were impacted by softer economic conditions, U.S. tariffs, and the elimination of the de minimis exemption for online deliveries to US consumers - which had previously spared most U.S. orders from duties and taxes and facilitated the efficient flow of goods through U.S. Customs and Border Protection, we remain focused on adapting our supply chain to address these challenges,” Ms. Segal added. “As we enter the revenue-intensive fourth quarter, early retail trends have been encouraging, and we remain confident in our strategy to grow the business through disciplined retail expansion and omnichannel execution, with the objective of returning to sustained, profitable growth.”

“The third quarter reflected the benefits of disciplined execution across our operations and balance sheet,” said Frank Zitella, President, Chief Financial and Operating Officer, DAVIDsTEA. “We have materially reduced our operating cost base, including the full benefit of our lower-cost technology platform, which has permanently lowered IT-related expenses and improved operating leverage.”

“We are also well on our way to doubling our retail footprint in Canada,” Mr. Zitella continued. “Our goal is to open up to six new stores in fiscal 2026. In support of this objective, we have two stores under contract expected

to open in the first half of the year, two additional locations under letters of intent targeted for opening in the second half and are actively advancing site selection for the remaining locations.”

“From a capital perspective, we strengthened liquidity through a \$2.7 million revenue-linked financing completed during the quarter, followed by a \$3.0 million private placement completed after quarter-end,” Mr. Zitella concluded. “With a structurally lower cost base and an improved balance sheet, we are well positioned to execute our growth strategy with discipline and flexibility.”

Operating Results for the Third Quarter of Fiscal 2025

Sales. Sales for the quarter reached \$12.6 million, down \$1.4 million or 10.2% from the prior-year quarter. Sales in Canada, which accounted for 88.5% of total revenue, decreased by \$0.8 million, or 7.1%, compared to the prior-year quarter. U.S. sales of \$1.5 million decreased by \$0.6 million, or 28.3%, from the prior-year quarter.

DAVIDsTEA is focused on delivering a value proposition that resonates with consumers, supported by a memorable experience both in person and online, to generate sales as the Company navigates macro-economic headwinds.

Brick-and-mortar sales of \$4.9 million increased by \$0.2 million, or 2.9%, from \$4.7 million in the prior-year quarter. DAVIDsTEA had 20 stores at quarter end vs 19 stores in prior-year quarter. Comparable store sales growth¹ was 2.9% which was in addition to comparable store sales growth of 18.1% in the prior-year quarter. Brick-and-mortar sales represented 38.5% of total sales compared to 33.7% in the prior-year quarter.

Online sales of \$5.3 million decreased by \$1.1 million, or 16.9%, from \$6.4 million in the prior-year quarter. Online sales accounted for 41.9% of total sales compared to 45.3% of sales in the prior-year quarter. Wholesale channel sales of \$2.5 million decreased by \$0.5 million, or 16.6%, from the prior-year quarter. Wholesale sales represented 19.5% of total sales compared to 21.0% in the prior-year quarter.

Gross profit. Gross profit of \$5.9 million decreased by \$1.3 million, or 17.9%, from \$7.2 million in the prior-year quarter. The decrease in gross profit is largely attributable to lower sales, a marginal drop in product margin and a slight increase in fulfillment costs. These factors were partially offset by lower delivery costs. Gross profit as a percentage of sales decreased to 47.0% for the third quarter from 51.5% in the prior-year quarter.

Selling, general and administration expenses. Selling, general and administrative expenses (“SG&A”) amounted to \$6.4 million, representing a decrease of \$2.3 million, or 26.5%, compared to the same period in the prior-year quarter. In the prior-year quarter, DAVIDsTEA incurred amounts due under onerous contracts of \$3.1 million, an expense that was not incurred in the most recent quarter. IT-related expenses, which are included in SG&A costs, have been reduced by \$1.5 million, resulting from the successful conversion of the Company’s full technology stack to a lower-cost operating system in November 2024. This strategic transition has materially and permanently reduced the operating cost base, providing sustainable efficiency gains going forward. In addition, the Company recorded savings of \$0.5 million in marketing expenses over the prior-year quarter. These savings were partially offset by a net reversal of \$2.1 million in impairment charges on property and equipment and intangible assets incurred in the prior-year quarter, as well as an increase in wages, salaries and employee benefits of \$0.4 million in the most recent quarter.

As a percentage of sales, SG&A expenses improved to 50.7% from 62.0% in the prior-year quarter.

EBITDA, Adjusted EBITDA and Adjusted EBITDA (after rent equivalent expense).¹ EBITDA totaled \$0.7 million compared to negative \$0.6 million in the prior-year quarter. Adjusted EBITDA amounted to \$0.8 million

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

compared to \$1.0 million for the same period in the prior year. Adjusted EBITDA (after rent equivalent expense) was negative \$0.4 million compared to negative \$30 thousand in the prior-year quarter.

Net loss and Adjusted net income (loss).¹ Net loss totaled \$0.6 million compared to a net loss of \$1.6 million in the prior-year quarter. Adjusted net loss amounted to \$0.6 million compared to adjusted net income of \$12 thousand in the prior-year quarter.

Fully diluted net loss per share and Adjusted fully-diluted net income (loss) per share.¹ Fully diluted net loss per common share amounted to \$0.02 compared to a fully diluted net loss per common share of \$0.06 in the prior-year quarter. Adjusted fully diluted net loss per common share¹, which is Adjusted net income on a fully diluted weighted average shares outstanding basis, totaled \$0.02 compared to an Adjusted fully diluted net loss of nil in the prior-year quarter.

Liquidity and Capital Resources

As at November 1, 2025, the Company had \$8.1 million of cash held by major Canadian financial institutions.

Working capital amounted to \$10.7 million as at November 1, 2025, compared to \$12.8 million as at February 1, 2025. The decline in working capital can be attributed to a decrease in cash of \$8.1 million and increase in revenue-linked advances of \$2.5 million. These factors were partially offset by an increase in inventories of \$5.5 million and a decrease in trade and other payables of \$2.8 million.

DAVIDsTEA's primary source of liquidity is cash on hand and cashflow generated from operations. Working capital requirements are driven by the purchase of inventory, payment of payroll, ongoing technology expenditures and other operating costs.

During the quarter, DAVIDsTEA entered into a revenue-linked financing agreement under which it received advance funding of \$2.7 million. Under the terms of arrangement, the Company is required to remit 7% of revenues generated through its retail and e-commerce channels until a fixed repayment amount of \$2.9 million has been satisfied. The fixed repayment amount represents the contractual funding of \$2.7 million plus a fixed financing cost of 8.0%.

Working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as the Company takes title to increasing quantities of inventory in anticipation of the peak selling season in the fourth fiscal quarter. Capital expenditures of \$412 thousand in the third quarter of 2025 include the purchase of furniture and equipment of \$40 thousand, leasehold improvements of \$303 thousand, and computer hardware of \$69 thousand, offset by a tenant inducement of \$175 thousand. Capital expenditures in the third quarter of 2024 amounted to \$608 thousand, comprised of furniture and equipment of \$120 thousand, leasehold improvements of \$463 thousand, and computer hardware of \$25 thousand.

As at November 1, 2025, DAVIDsTEA had financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company, amounting to \$10.2 million, net of \$0.2 million of advances (February 1, 2025 - \$7.4 million, net of \$0.5 million of advances). These commitments are expected to be discharged within twelve months. Commitments include variable payments required under certain IT service contracts that are based on sales with minimum committed amounts extending to fiscal 2027 totaling \$0.1 million.

On November 19, 2025, as part of a Private Placement, the Company issued 3,333,334 units at a price of \$0.90 per unit, for proceeds of \$3 million. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles its holder to purchase one additional common share of the Company at a price of \$1.25 for one year from the closing date of the Private Placement and at a price of \$1.50 for one year thereafter. In the event that at any time following the date that is four months and one day from the closing date

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of the Private Placement, the closing price of the Company's common shares on the TSX Venture Exchange is at least \$2.00 for a period of not less than 20 consecutive trading days, the warrants will expire, at the sole discretion of the Company, on the 30th day after the date on which the Company sends a notice in prescribed form to the holders of the warrants.

The Company did not pay any commissions or other fees in connection with the Private Placement. The shares and warrants issued in the Private Placement are subject to restrictions on resale for a period of four months ending March 20, 2026.

Although uncertainty remains regarding the timing of a return to sustained profitability, management remains focused on executing the Company's strategic plan. The business continues to operate in a challenging environment characterized by the imposition of tariffs by the United States, changing consumer behavior and ongoing inflationary pressures that impact consumer confidence.

Condensed Consolidated Financial Data

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

	For the three-months ended		For the nine-months ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Sales	\$ 12,613	\$ 14,039	\$ 37,488	\$ 38,565
Cost of sales	6,683	6,815	19,397	20,270
Gross profit	5,930	7,224	18,091	18,295
Selling, general and administration	6,394	8,700	19,992	23,860
Results from operating activities	(464)	(1,476)	(1,901)	(5,565)
Finance costs	222	185	648	450
Finance income	(45)	(86)	(180)	(306)
Net loss	\$ (641)	\$ (1,575)	\$ (2,369)	\$ (5,709)
<i>Sales - by country</i>				
Canada	\$ 11,157	\$ 12,007	\$ 32,994	\$ 33,366
USA	1,456	2,032	4,494	5,199
<i>Sales - by channel</i>				
Online	5,287	6,359	16,822	18,584
Retail	4,862	4,726	14,698	13,442
Wholesale	\$ 2,464	\$ 2,954	\$ 5,968	\$ 6,539
Comparable store sales growth	2.9%	18.1%	7.0%	12.0%
Comparable retail sales per square foot	\$ 313	\$ 288	\$ 891	\$ 818
EBITDA ⁽¹⁾	686	(593)	1,585	(3,372)
Adjusted EBITDA ⁽¹⁾	802	1,010	2,167	(118)
Adjusted EBITDA (after rent equivalent expense) ⁽¹⁾	(386)	(30)	(1,459)	(2,702)
Adjusted net income (loss) ⁽¹⁾	(632)	12	(2,187)	(2,597)
Adjusted fully diluted income (loss) per common share ⁽¹⁾	\$ (0.02)	\$ -	\$ (0.08)	\$ (0.10)
Gross profit as a percentage of sales	47.0%	51.5%	48.3%	47.4%
SG&A expenses as a percentage of sales	50.7%	62.0%	53.3%	61.9%

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	For the three-months ended		For the nine-months ended	
	November 1, 2025	November 2, 2024	November 1, 2025	November 2, 2024
Cash flows provided by (used in) operating activities	\$ (611)	\$ 2,842	\$ (6,667)	\$ (715)
Cash flows provided by (used in) financing activities	1,289	(1,002)	(1,065)	(2,562)
Cash used in investing activities	(237)	(608)	(368)	(1,381)
Decrease in cash during the period	441	1,232	(8,100)	(4,658)
Cash, end of period	\$ 8,087	\$ 7,942	\$ 8,087	\$ 7,942
Free cash flow	\$ (848)	\$ 2,234	\$ (7,035)	\$ (2,096)
Inventory turnover	0.22	0.24	0.70	0.69
CAPEX	\$ 237	\$ 608	\$ 368	\$ 1,381
Number of stores	20	19	20	19

<i>As at</i>	November 1, 2025	August 2, 2025	May 3, 2025	February 1, 2025
Cash	\$ 8,087	\$ 7,646	\$ 10,402	\$ 16,187
Accounts and other receivables	2,378	1,797	2,237	1,775
Inventories	18,182	16,008	12,989	12,736
Prepaid expenses and deposits	949	2,206	1,965	1,468
Trade and other payables	\$ 9,063	\$ 8,930	\$ 7,527	\$ 11,814

Conference Call Information

A conference call to discuss fiscal 2025 third quarter financial results is scheduled for today at 8:30 am Eastern Time. The conference call will be webcast and can be accessed via the Investor Relations section of the Company's website at ir.davidstea.com. An online archive of the webcast will be available within two hours of the conclusion of the call and will remain available for one year.

Use of Non-IFRS Financial Measures and Ratios

This press release includes "non-IFRS financial measures" defined as including: 1) EBITDA, Adjusted EBITDA and Adjusted EBITDA (after rent equivalent expense), 2) Adjusted net income (loss), 3) Adjusted fully diluted income (loss) per common share, 4) Comparable store sales growth, and 5) Comparable retail sales per square foot. These non-IFRS financial measures are not defined by or in accordance with IFRS and may differ from similar measures reported by other companies. DAVIDsTEA believes that these non-IFRS financial measures provide knowledgeable investors with useful information with respect to historical operations. These non-IFRS financial measures are presented as supplemental performance measures because the Company believes they facilitate a comparative assessment of its operating performance relative to its performance based on IFRS results, 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 and ratios section in the Company's Management Discussion and Analysis for a reconciliation to IFRS financial measures.

Note

This release should be read in conjunction with the Company's Management Discussion and Analysis, which is filed with Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and will also be available in the Investor Relations section of the Company's website at www.davidstea.com.

Caution Regarding Forward-Looking Statements

This press release includes statements that express DAVIDsTEA's opinions, expectations, beliefs, plans or assumptions regarding future events or future results and that 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 the Company's intentions, beliefs or current expectations concerning, among other things, its plan to return to profitability, future sales through retail, e-commerce and wholesale channels, and its results of operations, financial condition, liquidity and prospects.

While DAVIDsTEA believes its opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about the Company, including the risk factors discussed in Management Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 1, 2025, filed with the Autorité des marchés financiers on May 28, 2025, which could materially affect the Company's business, financial condition or future results.

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 over 1,000 grocery stores in the United States, as well as 20 company-owned stores across Canada. It 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.

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