



DAVIDsTEA Inc.

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

For the three and nine-months ended November 1, 2025 and November 2, 2024

December 16, 2025

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

DAVIDsTEA Inc. (“DAVIDsTEA” or the “Company”) is a corporation incorporated under the Canada Business Corporation Acts and domiciled in Canada. DAVIDsTEA’s common shares trade on the TSX Venture Exchange under the symbol “DTEA”. Unless the context otherwise requires, the terms “we”, “our”, “us”, “DAVIDsTEA” and the “Company” refer to DAVIDsTEA Inc. and its wholly-owned subsidiary, DAVIDsTEA (USA) Inc.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) of DAVIDsTEA Inc. and its subsidiary should be read in conjunction with the unaudited condensed interim financial statements of DAVIDsTEA as at and for the three and nine-month periods ended November 1, 2025 and the audited consolidated financial statements and the notes thereto of the Company for the fiscal year ended February 1, 2025, and the MD&A for the fiscal year ended February 1, 2025, all of which are filed by the Company with the Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and in the Investor Relations section of the Company’s website at www.davidstea.com. In preparing this MD&A, we have considered all information available to us up to December 16, 2025, the date of this MD&A.

All financial information contained in this MD&A and DAVIDsTEA’s unaudited interim consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (“IFRS”), mainly with IAS 34, Interim Financial Reporting (“IAS 34”), also referred to as Generally Accepted Accounting Principles (“GAAP”), as issued by the International Accounting Standards Board (“IASB”), except for Non-IFRS Financial Measures and Ratios described below. Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company’s audited consolidated financial statements for the year ended February 1, 2025. All monetary amounts shown in this MD&A, unless otherwise noted, are in thousands of Canadian dollars except share and per share information.

The unaudited interim consolidated financial statements and this MD&A were reviewed by the Company’s Audit Committee and were approved and authorized for issuance by our Board of Directors on December 16, 2025. The unaudited interim consolidated financial statements for the three and nine-month periods ended November 1, 2025 have not been audited or reviewed by the Company’s auditors.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended November 1, 2025 (“third quarter of fiscal 2025”) are against results for the 13 weeks ended November 2, 2024 (“third quarter of fiscal 2024”) and all comparisons of results for the 39 weeks ended November 1, 2025 (“year to date fiscal 2025”) are against results for the 39 weeks ended November 2, 2024 (“year to date fiscal 2024”).

Additional information about DAVIDsTEA is available in the Investor Relations section of the Company’s website at www.davidstea.com and on the SEDAR+ website at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

This MD&A 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” in this MD&A. 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 multi-channel sales’ strategy including transition to e-commerce and wholesale sales, future sales through our brick-and-mortar, e-commerce and wholesale channels, our results of operations, financial condition, liquidity and prospects, including the impact of geopolitical tensions and the global macroeconomic environment.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company’s expectations expressed in or implied by the forward-looking statements include:

- Our ability to successfully pivot our business towards evolving consumer preferences;
- Our ability to maintain and enhance our brand awareness within an omni-channel strategy;
- Our ability to attract and retain employees who are instrumental to growing a multi-channel business;

- Our ability to grow our sales from our various channels;
- Our ability to overcome changes in economic conditions, including a prolonged recessionary environment, or changes in the rate of inflation, employment rates or currency exchange rates;
- Significant competition within our industry;
- Our ability to obtain quality products from third-party manufacturers and suppliers on a timely basis, in sufficient quantities and at reasonable prices, especially in light of the continuing geopolitical tensions caused by acts of war and escalating aggression as well as an unfavorable economic environment caused by high interest rates and inflation;
- 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 the Company as of the date of this MD&A, 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 MD&A 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 MD&A and we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this MD&A, 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 MD&A 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.

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 and Uncertainties” detailed in the MD&A for the fiscal year ended February 1, 2025, the which are filed by the Company with the Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and in the Investor Relations section of the Company’s website at www.davidstea.com.

OVERVIEW

The Company offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories and gifts in North America. Distribution channels include its e-commerce platform at www.davidstea.com, the Amazon Marketplace, its wholesale customers which include over 4,000 grocery stores and pharmacies and over 1,500 convenience stores in Canada and over 1,000 grocery stores in the United States, as well as 20 company-owned storefronts across Canada. The Company offers 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 at a competitive value proposition.

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.

HOW WE ASSESS 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 and Uncertainties” detailed in the MD&A for the fiscal year ended February 1, 2025, the which are filed by the Company with the Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and in the Investor Relations section of the Company’s website at www.davidstea.com.

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 channels. 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, the rate of inflation, interest rates and consumer confidence, all of which can affect purchases of our products.

Factors affecting our performance include:

- our ability to anticipate and respond to evolving consumer preferences, purchasing behaviors and broader economic trends;
- the strength and appeal of our product assortment in driving new and repeat purchases across all channels;
- the quality and consistency of the customer experience delivered online and through our other sales channels;
- website and retail traffic volume and engagement levels;
- the number of customer transactions and average order value in our sales channels;
- pricing strategy for our tea and accessories in relation to consumer demand and market dynamics;
- operational efficiency in sourcing, manufacturing, and distributing products;
- the impact of increased tariffs or trade restrictions on imported goods, and our ability to mitigate cost pressures through pricing strategies or supply chain adjustments;

Gross Profit. Gross profit is equal to our sales less our cost of sales. Cost of sales includes product costs, freight costs, retail occupancy costs, distribution and handling costs, delivery costs and warehouse related costs including salaries and amortization of right-of-use-assets.

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 occupancy related costs (which are included in cost 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 (reversal of impairment) and other operating costs.

General and administration costs do not vary proportionally with sales to the same degree as our cost of sales. 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.

Finance Costs. Finance costs consist of cash and imputed non-cash charges related to any credit facility, and interest expense from lease liabilities.

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

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:

“EBITDA and Adjusted EBITDA”, where EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA excludes items not related to operations in the normal course of business such as stock-based compensation expense, impairment (reversal of impairment) of property and equipment, intangible assets and right-of-use assets, while isolating the effects of some items that vary from period to period. These supplemental performance measures are presented because we believe they facilitate a comparative assessment of our operating performance relative to our performance based on our results under IFRS and we believe helps users of the financial statements identify underlying trends and serves as a benchmark to evaluate our operating performance.

“Adjusted EBITDA (after rent equivalent expense)” is calculated as adjusted EBITDA less a rent equivalent expense equal to the sum of depreciation of right-of-use assets and interest expense on lease liabilities. It is intended to provide users of our financial information with a view of the Company’s adjusted EBITDA after the impact of depreciation on our right-of-use asset and interest expense on lease liabilities, principally for the purposes of assisting with comparability of the performance between the Company and that of issuers operating in the same industry with a significant retail footprint.

“Adjusted net income (loss)” 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 vary from period to period or that are outside the normal course of operations.

“Free cash flow” is calculated as cash flow generated from (used in) operating activities less cash used on the additions to property, equipment and intangible assets, less any tenant inducements received. We consider free cash flow to be a valuable non-IFRS financial measure as it provides users of the financial statements an indicator of our ability to generate cash to support future growth, debt repayment and potential distributions to shareholders.

We also present the non-IFRS supplementary financial measures and ratios 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 or that are outside the normal course of operations. These measures and ratios are set forth below:

“Adjusted net income (loss) per share” represents adjusted net income (loss) earnings divided by the weighted average number of common shares outstanding for the relevant period. The Company uses Adjusted net income (loss) per share for purposes of evaluating performance and profitability, excluding items that are not in the normal course of operations of the Company, net of income taxes, on a per share basis.

“Adjusted EBITDA as a percentage of sales”, “adjusted EBITDA (after rent equivalent expense) as a percentage of sales”, “adjusted net income (loss) as a percentage of sales”, represent the amounts as defined above divided by the sales for the period.

“Comparable store sales” represent sales of retail stores relative to sales for the same period in the prior fiscal year. It provides insight on the performance of our portfolio of retail stores, hence on the success of our real estate strategy. We believe that the presentation of the comparable store sales metric contributes to the comparability of our performance with that of issuers operating in our industry. Stores must be open for at least 12 months and must not have been subject to any significant change in square footage to be comparable. A significant change in square footage means an increase or decrease by 20% of the total square footage.

“Retail sales per square foot” is calculated as revenue from retail stores (i.e., excluding revenue from our online and wholesale channels) divided by the average total square footage (ie: retail footprint) of retail stores in operation over the last 12 months. Average total square footage is determined by taking the sum of the last 12 months total square footage and dividing that sum by twelve. Retail sales per square foot is considered a useful supplementary measure as it is commonly used by issuers operating in the retail industry and helps to evaluate the Company’s productivity of retail space.

“Gross profit” is calculated as total revenue less cost of sales. Gross profit as a percentage of sales is the ratio of gross profit over total revenue. Gross profit is considered a useful supplementary measure as it outlines underlying trends in operating performance and contributes to the comparability of our financial results with that of issuers operating in our industry.

“SG&A as a percentage of sales” is calculated as SG&A over total revenue. SG&A as a percentage of sales is considered a useful supplementary measure as it outlines underlying trends in expenses relative to sales and contributes to the comparability of our financial results with that of issuers operating in our industry.

“CAPEX” represents the Company’s capital investments, calculated as the total of additions to property and equipment combined with additions to intangible assets, less any tenant inducements received. This metric is important for readers of financial statements as it provides insights into a company’s investment strategy and its commitment to growth.

“Inventory turnover” is the ratio of cost of goods sold over average inventory balance. For the quarter we calculate average inventory by taking the sum of the current period’s inventory and the inventory from 3 months ago and then dividing that sum by two. Average inventory for the year is determined by taking the sum of the current year’s inventory and the inventory from 12 months ago and then dividing that sum by two. It is considered a useful supplementary financial measure because it provides insight as to the Company’s efficiency in converting inventory into revenue and contributes to the comparability of our financial results with that of issuers operating in our industry.

Management believes that these non-IFRS financial measures, supplementary 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.

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

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 EBITDA, Adjusted EBITDA (after rent equivalent expense) and Adjusted net income (loss) do not reflect changes in, or cash requirements for our working capital needs;
- Adjusted EBITDA, Adjusted EBITDA (after rent equivalent expense) and Adjusted net income (loss) 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, Adjusted EBITDA (after rent equivalent expense) and Adjusted net income (loss) 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, as well as information on supplemental measures:

Reconciliation of Net loss to EBITDA:

	For the three-months ended				For the nine-months ended			
	November 1, 2025	November 2, 2024	\$ Change	% Change	November 1, 2025	November 2, 2024	\$ Change	% Change
Net loss	\$ (641)	\$ (1,575)	\$ 934	59.3%	\$ (2,369)	\$ (5,709)	\$ 3,340	58.5%
Interest on lease liabilities	204	185	19	10.3%	630	419	211	50.4%
Other finance costs	18	—	18	NM	18	31	(13)	(41.9)%
Finance income	(45)	(86)	41	47.7%	(180)	(306)	126	41.2%
Depreciation of property and equipment	166	28	138	492.9%	490	28	462	1650.0%
Amortization of right-of-use assets	984	855	129	15.1%	2,996	2,165	831	38.4%
EBITDA ⁽¹⁾	\$ 686	\$ (593)	\$ 1,279	215.7%	\$ 1,585	\$ (3,372)	\$ 4,957	147.0%
EBITDA ⁽¹⁾ as a percentage of Sales	5.4%	(4.2)%			4.2%	(8.7)%		

Reconciliation of EBITDA to Adjusted EBITDA:

	For the three-months ended				For the nine-months ended			
	November 1,	November 2,	\$ Change	% Change	November 1,	November 2,	\$ Change	% Change
	2025	2024			2025	2024		
EBITDA⁽¹⁾	\$ 686	\$ (593)	\$ 1,279	215.7%	\$ 1,585	\$ (3,372)	\$ 4,957	147.0%
Adjustments to EBITDA:								
Stock-based compensation expense (a)	107	16	91	568.8%	400	142	258	181.7%
Impairment of property and equipment and intangible assets (b)	—	(2,130)	2,130	100.0%	—	(1,358)	1,358	100.0%
Fees to secure financing (c)	—	(137)	137	100.0%	—	536	(536)	NM
Employee separation costs (d)	—	15	(15)	NM	344	95	249	262.1%
Amounts due under onerous IT contracts (e)	—	3,112	(3,112)	NM	—	3,112	(3,112)	NM
Head office relocation (f)	—	88	(88)	NM	—	88	(88)	NM
Software implementation (g)	9	639	(630)	(98.6)%	82	639	(557)	(87.2)%
Reversal of IT and other expenses (h)	—	—	—	NM	(244)	—	(244)	NM
Adjusted EBITDA⁽¹⁾	\$ 802	\$ 1,010	\$ (208)	(20.6)%	\$ 2,167	\$ (118)	\$ 2,285	1936.4%
Adjusted EBITDA⁽¹⁾ as a percentage of Sales	6.4%	7.2%			5.8%	(0.3)%		

Reconciliation of Adjusted EBITDA to Adjusted EBITDA (after rent equivalent expense):

	For the three-months ended				For the nine-months ended			
	November 1,	November 2,	\$ Change	% Change	November 1,	November 2,	\$ Change	% Change
	2025	2024			2025	2024		
Adjusted EBITDA⁽¹⁾	\$ 802	\$ 1,010	\$ (208)	(20.6)%	\$ 2,167	\$ (118)	\$ 2,285	1936.4%
Interest on lease liabilities	(204)	(185)	(19)	(10.3)%	(630)	(419)	(211)	(50.4)%
Amortization of right-of-use assets	(984)	(855)	(129)	(15.1)%	(2,996)	(2,165)	(831)	(38.4)%
Adjusted EBITDA (after rent equivalent expense)⁽¹⁾	\$ (386)	\$ (30)	\$ (356)	(1186.7)%	\$ (1,459)	\$ (2,702)	\$ 1,243	46.0%
Adjusted EBITDA (after rent equivalent expense)⁽¹⁾ as a percentage of Sales	(3.1)%	(0.2)%			(3.9)%	(7.0)%		

Reconciliation of Net loss to Adjusted net income (loss):

	For the three-months ended				For the nine-months ended			
	November 1,	November 2,	\$ Change	% Change	November 1,	November 2,	\$ Change	% Change
	2025	2024			2025	2024		
Net loss	\$ (641)	\$ (1,575)	\$ 934	59.3%	\$ (2,369)	\$ (5,709)	\$ 3,340	58.5%
Impairment of property and equipment and intangible assets (b)	—	(2,130)	2,130	100.0%	—	(1,358)	1,358	100.0%
Fees to secure financing (c)	—	(137)	137	100.0%	—	536	(536)	NM
Employee separation costs (d)	—	15	(15)	NM	344	95	249	262.1%
Amounts due under onerous IT contracts (e)	—	3,112	(3,112)	NM	—	3,112	(3,112)	NM
Head office relocation (f)	—	88	(88)	NM	—	88	(88)	NM
Software implementation (g)	9	639	(630)	(98.6)%	82	639	(557)	(87.2)%
Reversal of IT and other expenses (h)	—	—	—	NM	(244)	—	(244)	NM
Adjusted net income (loss)⁽¹⁾	\$ (632)	\$ 12	\$ (644)	(5366.7)%	\$ (2,187)	\$ (2,597)	\$ 410	15.8%

¹ Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&A.

Reconciliation of Fully diluted net loss per common share to Adjusted fully diluted net income (loss) per common share:

	For the three-months ended				For the nine-months ended			
	November 1, 2025	November 2, 2024	Change	% Change	November 1, 2025	November 2, 2024	Change	% Change
Weighted average number of shares outstanding, fully diluted	27,118,830	26,930,180	188,650	0.7%	27,043,089	26,896,574	146,515	0.5%
Adjusted weighted average number of shares outstanding, fully diluted	27,118,830	26,930,180	188,650	0.7%	27,043,089	26,896,574	146,515	0.5%
Net loss	\$ (641)	\$ (1,575)	\$ 934	59.3%	\$ (2,369)	\$ (5,709)	\$ 3,340	58.5%
Adjusted net income (loss) ⁽¹⁾	\$ (632)	\$ 12	\$ (644)	(5366.7)%	\$ (2,187)	\$ (2,597)	\$ 410	15.8%
Net loss per common share, fully diluted	\$ (0.02)	\$ (0.06)	\$ 0.04	66.7%	\$ (0.09)	\$ (0.21)	\$ 0.12	57.1%
Adjusted net income (loss) per common share, fully diluted	\$ (0.02)	\$ —	\$ (0.02)	NM	\$ (0.08)	\$ (0.10)	\$ 0.02	20.0%

- (a) Represents non-cash stock-based compensation expense.
 - (b) Represents impairment of property and equipment and intangible assets.
 - (c) Represents professional fees incurred to secure financing.
 - (d) Represents executive and employee separation costs.
 - (e) Represents amounts due under onerous IT contracts.
 - (f) Represents costs incurred in the relocation of Head Office.
 - (g) Represents costs incurred in the implementation and configuration of new software.
 - (h) Represents reversal of previously recognized IT and other expenses
- NM Not meaningful

Inventory turnover:

	For the three-months ended				For the nine-months ended			
	November 1, 2025	November 2, 2024	Change	% Change	November 1, 2025	November 2, 2024	Change	% Change
Cost of sales decomposition								
Cost of goods sold	\$ 3,833	\$ 3,923	\$ (90)	(2.3)%	\$ 10,850	\$ 11,289	\$ (439)	(3.9)%
Retail occupancy costs	848	794	54	6.8%	2,625	2,309	316	13.7%
Delivery costs	760	914	(154)	(16.8)%	2,375	2,842	(467)	(16.4)%
Warehouse salaries, handling and other costs	1,242	1,184	58	4.9%	3,547	3,830	(283)	(7.4)%
Total	\$ 6,683	\$ 6,815	\$ (132)	(1.9)%	\$ 19,397	\$ 20,270	\$ (873)	(4.3)%
Inventory turnover calculation								
Cost of goods sold	\$ 3,833	\$ 3,923	\$ (90)	(2.3)%	\$ 10,850	\$ 11,289	\$ (439)	(3.9)%
Average inventory	\$ 17,095	\$ 16,471	\$ 624	3.8%	\$ 15,459	\$ 16,465	\$ (1,006)	(6.1)%
Inventory turnover	0.22	0.24	(0.02)	(8.3)%	0.70	0.69	0.01	1.4%

Inventory turnover for the third quarter decreased slightly to 0.22 times, from 0.24 times, a decline of 0.02 times or 8.3% over the prior year quarter.

Free cash flow:

	For the three-months ended				For the nine-months ended			
	November 1, 2025	November 2, 2024	\$ Change	% Change	November 1, 2025	November 2, 2024	\$ Change	% Change
Cash flows provided by (used in) operating activities								
Retail capital expenditure	\$ (611)	\$ 2,842	\$ (3,453)	(121.5)%	\$ (6,667)	\$ (715)	\$ (5,952)	(832.4)%
Other capital expenditure	(215)	(545)	330	60.6%	(300)	(970)	670	69.1%
	(22)	(63)	41	65.1%	(68)	(411)	343	83.5%
Free cash flow	\$ (848)	\$ 2,234	\$ (3,082)	(138.0)%	\$ (7,035)	\$ (2,096)	\$ (4,939)	(235.6)%

¹ Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&A.

OPERATING RESULTS FOR THE THIRD QUARTER OF FISCAL 2025 COMPARED TO THE THIRD QUARTER OF FISCAL 2024

Sales. Sales for the third quarter of 2025 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.

Our focus is on delivering a value proposition that resonates with consumers, supported by a memorable experience both in person and online, in order to generate sales as we continue to navigate 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. We had 20 stores opened 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. 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 represented 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 a decrease in sales, a slight drop in product margin and a slight increase in fulfillment costs, partially offset by a decrease in delivery costs. Gross profit as a percentage of sales decreased to 47.0% for the third quarter compared to 51.5% in the prior year quarter.

Selling, general and administration expenses. Selling, general and administrative expenses (“SG&A”) amounted to \$6.4 million in the third quarter, representing a decrease of \$2.3 million, or 26.5%, compared to the same period in the prior. In the prior year quarter, we incurred amounts due under onerous contracts of \$3.1 million, an expense which did not incur this quarter. IT related expenses, which are included in SG&A, 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. This strategic transition has materially and permanently reduced our operating cost base, providing sustainable efficiency gains going forward. Furthermore, we had 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.

As a percentage of sales, SG&A expenses declined to 50.7% in the third quarter of 2025 from 62.0% in the prior year quarter, reflecting improved cost efficiency and operating leverage.

EBITDA, Adjusted EBITDA and Adjusted EBITDA (after rent equivalent expense)². EBITDA was \$0.7 million in the third quarter of 2025 compared to negative \$0.6 million in the prior year quarter. Adjusted EBITDA was \$0.8 million in the third quarter compared to \$1.0 million for the same period in the prior year. Adjusted EBITDA (after rent equivalent expense), was negative \$0.4 million in the third quarter compared to negative \$30 thousand in the prior year quarter.

Net loss and Adjusted net income (loss). Net loss totaled \$0.6 million in the third quarter of 2025 compared to net loss of \$1.6 million in the prior year quarter. Adjusted net loss amounted to \$0.6 million in the third quarter compared to an 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. Fully diluted net loss per common share amounted to \$0.02 in the third quarter of 2025 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

¹ Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&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.

Cash on hand. At the end of the third quarter of fiscal 2025, the Company had cash amounting to \$8.1 million.

OPERATING RESULTS FOR THE YEAR TO DATE FISCAL 2025 COMPARED TO THE YEAR TO DATE FISCAL 2024

Sales. Sales year-to-date fiscal 2025 decreased by \$1.1 million or 2.8% to \$37.5 million, compared to the prior year period. Sales in Canada, which accounted for 88.0% of total revenue, decreased by \$0.4 million, or 1.1%, compared to the prior year period. U.S. sales of \$4.5 million decreased by \$0.7 million or 13.6% compared to the prior year period.

Brick-and-mortar sales of \$14.7 million increased by \$1.3 million or 9.3% from \$13.4 million in the prior year period. Brick-and-mortar sales represented 39.2% of sales compared to 34.9% of sales in the prior year period. We had 20 stores opened at period end vs 19 stores in prior year period. Comparable store sales growth¹ was 7.0% which was in addition to comparable store sales growth of 12.0% in the prior year. Online sales of \$16.8 million decreased by \$1.8 million or 9.5% from \$18.6 million in the prior year period. Online sales represented 44.9% of sales compared to 48.2% of sales in the prior year period. Sales from our wholesale channel of \$6.0 million decreased by \$0.5 million or 8.7% from \$6.5 million in the prior year period. Wholesale sales represented 15.9% of sales compared to 17.0% of sales in the prior year period.

Gross profit. Gross profit decreased by \$0.2 million or 1.1% to \$18.1 million from the prior year period largely attributable to a decrease in sales and partially offset to an increase in product margins, and a decrease in unitized freight, shipping and fulfillment costs. Gross profit as a percentage of sales increased to 48.3% for the period compared to 47.4% in the prior year period.

Selling, general and administration expenses. Selling, general and administrative expenses (“SG&A”) were \$20.0 million for the period, representing a decrease of \$3.9 million, or 16.2%, compared to the same period in the prior year. The most significant driver of this decrease was a \$3.6 million reduction in IT related expenses, resulting from the successful conversion of the Company’s full technology stack to a lower-cost operating system. This strategic transition has materially and permanently reduced our operating cost base, providing sustainable efficiency gains going forward. In the prior year period, we incurred amounts due under onerous contracts of \$3.1 million. Additionally, the prior year period included \$0.5 million in professional fees related to financing activities. These savings were partially offset by a net reversal of \$1.4 million in impairment charges on property and equipment and intangible assets incurred in the prior year period, as well as an increase in wages, salaries and employee benefits of \$0.9 million.

As a percentage of sales, SG&A expenses declined to 53.3% in the current period from 61.9% in the prior year period, reflecting improved cost efficiency and operating leverage.

EBITDA, Adjusted EBITDA and Adjusted EBITDA (after rent equivalent expense)². EBITDA was \$1.6 million in the period compared to negative \$3.4 million in the prior year period. Adjusted EBITDA was \$2.2 million compared to negative \$0.1 million for the same period in the prior year. Adjusted EBITDA (after rent equivalent expense), was negative \$1.5 million in the period compared to negative \$2.7 million in the prior year period.

Net loss and Adjusted net loss. Net loss was \$2.4 million in the period compared to a net loss of \$5.7 million in the prior year period. Adjusted net loss was \$2.2 million in the period compared to adjusted net loss of \$2.6 million in the prior year period.

Fully diluted net loss per share and Adjusted fully-diluted net income (loss) per share. Fully diluted net loss per common share amounted to \$0.09 in the period compared to a fully diluted net loss per common share of \$0.21 in the prior year period. Adjusted fully diluted net income per common share¹, which is Adjusted net income on a fully diluted

¹ Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&A.

² Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&A.

weighted average shares outstanding basis, was \$0.08 compared to an Adjusted fully diluted net loss of \$0.10 in the prior year period.

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 is mainly attributed to a decrease in cash of \$8.1 million and an increase in revenue linked advances of \$2.5 million. This was partially offset by an increase in inventories of \$5.5 million and a decrease in trade and other payables of \$2.8 million.

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

During the period, the Company 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%.

Our working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. Capital expenditures of \$412 thousand in the third quarter of fiscal 2025 includes 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 fiscal 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, the Company 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 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.

Cash Flow

A summary of our cash flows used in operating, investing, and financing activities is presented in the following table:

	For the three-months ended				For the nine-months ended			
	November 1, 2025	November 2, 2024	\$ Change	% Change	November 1, 2025	November 2, 2024	\$ Change	% Change
Cash flows provided by (used in):								
Operating activities	\$ (611)	\$ 2,842	\$ (3,453)	(121.5)%	\$ (6,667)	\$ (715)	\$ (5,952)	(832.4)%
Financing activities	1,289	(1,002)	2,291	228.6%	(1,065)	(2,562)	1,497	58.4%
Investing activities	(237)	(608)	371	61.0%	(368)	(1,381)	1,013	73.4%
Increase (decrease) in cash	\$ 441	\$ 1,232	\$ (791)	(64.2)%	\$ (8,100)	\$ (4,658)	\$ (3,442)	(73.9)%

Three-months ended November 1, 2025 compared to three-months ended November 2, 2024

Cash flows used in operating activities. Net cash used in operating activities amounted to \$0.6 million for the quarter ended November 1, 2025, compared to cash provided of \$2.8 million in the prior year quarter.

The change in cash used of \$3.5 million is mainly due to an increase of Inventory of \$2.4 million and a reduction of Trade and other payable of \$5.0 million over the prior year quarter. This was offset by decrease in net loss of \$0.9 million and a decrease in the impairment of property and equipment and intangible assets of \$2.1 million over the prior year quarter.

Cash flows provided by financing activities. Net cash flows provided by financing activities of \$1.3 million during the quarter ended November 1, 2025 represented a net advance of \$2.5 million partially offset by an increase in lease payments of \$0.2 million compared to the prior year quarter.

Cash flows used in investing activities. Net cash flows used in investing activities of \$237 thousand for the quarter ended November 1, 2025 includes 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.

Nine-months ended November 1, 2025 compared to nine-months ended November 2, 2024

Cash flows used in operating activities. Net cash used in operating activities amounted to \$6.7 million for the nine-month period versus the \$0.7 million in the prior year, representing an increase in use of \$6.0 million.

The change in cash used of \$6.0 million is mainly due to an increase of Inventory of \$5.6 million and a reduction of Trade and other payable of \$5.8 million over the prior year period. This was offset by decrease in net loss of \$3.3 million and a decrease in the impairment of property and equipment and intangible assets of \$1.4 million over the prior year period.

Cash flows used in financing activities. Net cash flows used in financing activities of \$1.1 million during the nine-month period represents a net advance of \$2.5 million partially offset by an increase in lease payments of \$1.0 million compared to the prior year period.

Cash flows used in investing activities. Net cash flows used in investing activities of \$368 thousand for the nine-month period includes store leasehold improvements of \$391 thousand, furniture and equipment of \$56 thousand and computer hardware of \$96 thousand, offset by a tenant inducement of \$175 thousand. This compares to prior year nine-month period additions to store leasehold improvements of \$870 thousand, furniture and equipment of \$149 thousand and computer hardware of \$362 thousand.

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 2025				Fiscal Year 2024				FY 2023
	Third	Second	First	Fourth	Third	Second	First	Fourth	
	Quarter	Quarter	Quarter ²	Quarter	Quarter	Quarter	Quarter	Quarter ³	
Sales	\$ 12,613	\$ 11,142	\$ 13,733	\$ 23,236	\$ 14,039	\$ 11,091	\$ 13,435	\$ 24,351	
Gross profit	5,930	5,258	6,903	11,242	7,224	5,251	5,820	10,364	
SG&A expenses	6,394	6,666	6,932	8,617	8,700	6,714	8,447	14,223	
Net income (loss)	\$ (641)	\$ (1,562)	\$ (166)	\$ 2,499	\$ (1,575)	\$ (1,487)	\$ (2,649)	\$ (3,863)	
EBITDA ¹	\$ 686	\$ (239)	\$ 1,138	\$ 3,794	\$ (593)	\$ (800)	\$ (1,980)	\$ (2,948)	
Adjusted EBITDA ¹	802	(211)	1,576	4,029	1,010	(308)	(820)	519	
Adjusted EBITDA (after rent equivalent expense) ⁽¹⁾	\$ (386)	\$ (1,426)	\$ 353	\$ 2,799	\$ (30)	\$ (1,084)	\$ (1,588)	\$ (236)	
Sales - by country									
Canada	\$ 11,157	\$ 9,982	\$ 11,855	\$ 19,599	\$ 12,007	\$ 9,630	\$ 11,729	\$ 20,729	
USA	1,456	1,160	1,878	3,637	2,032	1,461	1,706	3,622	
Sales - by channel									
Online	5,287	5,119	6,416	12,380	6,359	5,485	6,740	13,111	
Retail	4,862	4,570	5,266	8,584	4,726	4,188	4,528	8,535	
Wholesale	\$ 2,464	\$ 1,453	\$ 2,051	\$ 2,272	\$ 2,954	\$ 1,418	\$ 2,167	\$ 2,705	
Percentage of sales:									
Gross profit	47.0%	47.2%	50.3%	48.4%	51.5%	47.3%	43.3%	42.6%	
SG&A expenses	50.7%	59.8%	50.5%	37.1%	62.0%	60.5%	62.9%	58.4%	
Net income (loss)	(5.1)%	(14.0)%	(1.2)%	10.8%	(11.2)%	(13.4)%	(19.7)%	(15.9)%	
Number of stores	20	20	20	20	19	18	18	18	
Comparable store sales growth	2.9%	7.9%	10.2%	(1.5)%	18.1%	13.7%	5.0%	6.1%	
Capital expenditure	\$ 237	\$ 97	\$ 34	\$ 188	\$ 608	\$ 312	\$ 461	\$ 162	
Net income (loss) per share:									
Basic	\$ (0.02)	\$ (0.06)	\$ (0.01)	\$ 0.09	\$ (0.06)	\$ (0.06)	\$ (0.10)	\$ (0.14)	
Fully diluted	(0.02)	(0.06)	(0.01)	0.09	(0.06)	(0.06)	(0.10)	(0.14)	
Adjusted fully diluted ¹	\$ (0.02)	\$ (0.06)	\$ 0.01	\$ 0.10	\$ 0.00	\$ (0.04)	\$ (0.06)	\$ (0.02)	
Weighted average number of shares outstanding:									
Basic	27,118,830	27,061,525	26,948,879	26,948,465	26,930,180	26,910,288	26,849,269	26,814,766	
Fully diluted	27,118,830	27,061,525	26,948,879	27,619,722	26,930,180	26,910,288	26,849,269	26,814,766	
Cash	\$ 8,087	\$ 7,646	\$ 10,402	\$ 16,187	\$ 7,942	\$ 6,710	\$ 8,772	\$ 12,600	
Accounts receivable	2,378	1,797	2,237	1,775	2,974	1,523	1,551	1,800	
Prepaid expenses and deposits	949	2,206	1,965	1,468	1,672	3,773	5,024	4,970	
Inventories	18,182	16,008	12,989	12,736	16,364	16,577	17,757	16,565	
Trade and other payables	\$ 9,063	\$ 8,930	\$ 7,527	\$ 11,814	\$ 11,687	\$ 6,553	\$ 8,935	\$ 8,662	

¹ Please refer to “Non-IFRS Financial Measures and Ratios” in this MD&A

² First Quarter of fiscal 2025 reclassified certain items to conform to current quarter’s presentation. Adjustments include reclassifying \$215 thousand from Cost of sales to Sales, within our retail channel. Sales in Q1 fiscal 2025 increased from \$13,518 to \$13,733. Cost of Sales increased from \$6,615 to \$6,830. Gross profit as a percentage of sales decreased from 51.1% to 50.3%. SG&A as a percentage of sales decreased from 51.3% to 50.5%. Comparable store sales increased from 2.8% to 7.5%.

³ The fourth quarter of fiscal year 2023 included an extra week of operations (14 weeks total), which modestly impacted quarterly performance comparisons.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. All commitments have been recorded in our consolidated balance sheets, except for purchase obligations. As at November 1, 2025, the Company has financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company. Purchase obligations amounting to \$10.2 million, net of advances amounting to \$0.2 million, which are included in Prepaid expenses and deposits, (February 1, 2025 - \$7.4 million, net of \$0.5 million of advances) are expected to be discharged within 12 months.

MARKET RISK

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.

LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are not presently a party to any significant legal proceedings, government actions, administrative actions, investigations or claims that are pending against us or involve us that, in the opinion of our management, could reasonably be expected to 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. See “Risk Factors and Uncertainties” as previously disclosed in our MD&A for our fiscal year ended February 1, 2025 which is filed by the Company with the Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and in the Investor Relations section of the Company’s website at www.davidstea.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon our unaudited interim consolidated 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 3 to our audited consolidated financial statements for the year ended February 1, 2025. There have been no material changes in the third quarter of fiscal 2025 compared to the critical accounting policies and estimates noted in our audited consolidated financial statements for the year ended February 1, 2025.

RISK FACTORS

There have been no material changes to the Risk Factors and Uncertainties in the third quarter of fiscal 2025 as compared to what was previously disclosed in our MD&A for our fiscal year ended February 1, 2025 which is filed by the Company with the Canadian securities regulatory authorities on SEDAR+ at www.sedarplus.ca and in the Investor Relations section of the Company’s website at www.davidstea.com.