

Reitmans (Canada) Limited Reports Third Quarter Results

MONTREAL, Dec. 19, 2024 /CNW/ - Reitmans (Canada) Limited ("RCL" or the "Company") (TSXV: RET) (TSXV: RET-A), one of Canada's leading specialty apparel retailers, today reported its financial results for its fiscal 2025 third quarter. Unless otherwise indicated, all comparisons of results for the 13 weeks ended November 2, 2024 ("third quarter of 2025") are against results for the 13 weeks ended October 28, 2023 ("third quarter of 2024") and all comparisons of results for the 39 weeks ended November 2, 2024 ("year to date fiscal 2025") are against results for the 39 weeks ended October 28, 2023 ("year to date fiscal 2024"). All dollar amounts are in Canadian currency.

Third Quarter Highlights

- Net revenues decreased 2.9% to \$187.7 million primarily due to 11 fewer stores and unfavourably warm autumn weather, and comparable sales decreased 1.9%
- Gross margin increased 166 basis points to 57.3% while gross profit remained flat at \$107.6 million
- Adjusted EBITDA¹ decreased to \$3.8 million, mainly due to higher occupancy costs and foreign exchange loss
- Net earnings decreased to \$2.1 million

"The quarter was impacted by warmer weather delaying sales of fall apparel. However, we achieved a higher gross margin rate due to strong inventory control and a continued focus on being less promotional." said Andrea Limbardi, President and CEO of RCL. "Aligned with our strategic objectives, menswear continued to perform exceptionally well at RW&CO and our customers responded positively to our fall collection in all three brands once the weather cooled."

"Our store count lowered in comparison to last year as we continue to optimize store locations to align with evolving customer needs. However, we opened three new stores in strategic markets during the quarter and are primed to further expand our footprint and capitalize on RCL's strong customer loyalty. Additionally, the third quarter saw the successful ongoing modernization of our distribution center handling system."

Select Financial Information

(in millions of dollars, except for gross profit % and earnings per share) (unaudited)	Third quarter			Year to date fiscal		
	2025	2024	Change	2025	2024	Change
Net revenues	\$187.7	\$193.4	(2.9 %)	\$568.9	\$573.7	(0.8 %)
Gross profit	\$107.6	\$107.6	0.0 %	\$328.8	\$316.1	4.0 %
Gross profit %	57.3 %	55.6 %	166 bps	57.8 %	55.1 %	270 bps
Selling, general and administrative expenses ²	\$103.7	\$100.5	3.2 %	\$304.6	\$293.7	3.7 %
Net earnings	\$2.1	\$5.3	(60.4 %)	\$16.3	\$14.8	10.1 %
Adjusted EBITDA ¹	\$3.8	\$9.5	(60.0 %)	\$28.0	\$27.5	1.8 %
Earnings per share:						
Basic	\$0.04	\$0.11	(63.6 %)	\$0.33	\$0.30	10.0 %
Diluted	\$0.04	\$0.11	(63.6 %)	\$0.33	\$0.30	10.0 %

¹ This is a Non-GAAP Financial Measure. See "Non-GAAP Financial Measures & Supplementary Financial Measures" for reconciliations of these measures

² In order to align to presentation in the industry, previously captioned selling, distribution and administrative expenses for the third quarter of 2024 are now captioned as selling, general and administrative expenses.

Balance Sheet Data (in millions of dollars) (unaudited)	As at		
	November 2, 2024	October 28, 2023	February 3, 2024
Cash	\$123.1	\$101.3	\$116.7
Inventories	141.3	147.9	122.0
Total current assets	295.6	272.6	259.9
Property and equipment and intangible assets	79.7	65.4	71.2
Right-of-use assets	138.2	108.2	131.5
Total assets	533.9	473.9	490.8
Total current liabilities	122.7	102.5	105.5
Total non-current liabilities	114.7	90.2	106.3
Shareholders' equity	296.6	281.3	279.0

Third Quarter Overview

Net revenues decreased by \$5.7 million, or 2.9%, to \$187.7 million as the Company had 11 less stores than a year ago and unseasonably warm weather delayed sales of fall apparel. Comparable sales¹, which include e-commerce net revenues, decreased 1.9% despite increased sales dollars per transaction.

Gross profit was \$107.6 million, on par with the third quarter of 2024, while gross profit as a percentage of net revenues increased 166 basis points to 57.3%. The increase in gross profit as a percentage of net revenues is primarily attributable to lower markdowns and promotional activity compared to the third quarter of last year.

Adjusted EBITDA¹ decreased 60.0% to \$3.8 million. The decrease of \$5.7 million was largely due to higher occupancy costs as many previously preferential rent arrangements have been renewed at closer to market lease rates, higher performance incentive plan expense, and an increase in foreign exchange loss.

Net earnings were \$2.1 million (\$0.04 basic and diluted earnings per share) compared to \$5.3 million (\$0.11 basic and diluted earnings per share) a year earlier.

Conference Call

The Company will host a conference call on December 20, 2024, at 8:30 am Eastern Time to discuss its third quarter financial results. Interested parties may join the conference call by dialing 1-844-763-8274 or 647-484-8814 approximately 15 minutes prior to the call to secure a line.

A live audio webcast of the call will be available at <https://www.reitmanscanadalimited.com/events-presentations.aspx?lang=en> and will be available for replay at this website for 12 months.

Granting of Options to Management

On December 19, 2024, the Company granted an aggregate of 17,000 options to purchase Class A non-voting shares of the Company (the "Options") to a member of management pursuant to its second amended and restated share option plan dated April 19, 2021, as amended. The Options have an exercise price of \$2.57 and are subject to time-based vesting terms and have an expiry date of January 19, 2028. The grant of the Options is made pursuant to the Company's Long-Term Incentive Plan which is designed to incentivize members of management in the achievement of long-term financial targets.

About Reitmans (Canada) Limited

Reitmans (Canada) Limited ("RCL") is one of Canada's leading specialty apparel retailers for women and men, with retail outlets throughout the country. The Company operates 390 stores under three distinct banners consisting of 223 Reitmans, 86 PENN. Penningtons, and 81 RW&CO.

For more information, visit www.reitmanscanadalimited.com.

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1 **NON-GAAP Financial Measures & Supplementary Financial Measures**

This press release makes reference to certain non-GAAP measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company's analysis of its financial information reported under IFRS.

NON-GAAP Financial Measures

This press release discusses the following non-GAAP financial measures: adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). This press release also indicates Adjusted EBITDA as a percentage of net revenues and is considered a non-GAAP financial ratio. Net revenues represent the sale of merchandise less discounts and returns ("net sales") and include shipping fees charged to customers on e-commerce orders. The intent of presenting Adjusted EBITDA is to provide additional useful information to investors and analysts. Adjusted EBITDA is currently defined as net earnings before income tax expense/recovery, interest income, interest expense, pension curtailment gain, pension annuity settlement gain, loss on foreign currency translation differences reclassified to net earnings, depreciation, amortization, net impairment of non-financial assets, adjusted for the impact of certain items, including a deduction of interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases*. Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses this metric for this purpose. Management believes that Adjusted EBITDA as a percentage of net revenues indicates how much liquidity is generated for each dollar of net revenues. The exclusion of interest income and expenses, other than interest expense related to lease liabilities as explained hereafter, eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and net impairment charges, other than depreciation related to right-of-use assets as explained hereafter, eliminates the non-cash impact, and the exclusion of the loss on foreign currency translation differences reclassified to net earnings/loss presents the results of the on-going business. Under IFRS 16, *Leases*, the characteristics of some leases result in lease payments being recognized in net earnings in the period in which the performance or use occurs while other leases are recorded as right-of-use assets with a corresponding lease liability recognized, which results in depreciation of those assets and interest expense from those liabilities. Management is presenting its Adjusted EBITDA to reflect the payments of its store and equipment lease obligations on a consistent basis. As such, the initial add-back of depreciation of right-of-use assets and interest on lease obligations are removed from the calculation of Adjusted EBITDA, as this better reflects the operational cash flow impact of its leases.

Reconciliation of NON-IFRS Measures

The tables below provide a reconciliation of net earnings to Adjusted EBITDA:

(in millions of dollars)
(unaudited)

	For the third quarter of		Year to date fiscal	
	2025	2024	2025	2024

Net earnings	\$ 2.1	\$ 5.3	\$ 16.3	\$ 14.8
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	3.3	3.3	10.9	10.3
Depreciation on right-of-use assets	10.1	8.5	29.2	24.4
Interest expense on lease liabilities	2.5	1.9	7.5	5.2
Interest income	(1.5)	(1.1)	(4.2)	(3.3)
Loss on foreign currency translation differences reclassified to net earnings	-	-	-	1.0
Income tax expense	0.7	2.0	5.8	5.6
Rent impact from IFRS 16, Leases ¹	(12.6)	(10.4)	(36.7)	(29.6)
Pension annuity settlement gain	(0.8)	-	(0.8)	-
Pension curtailment gain	-	-	-	(0.9)
Adjusted EBITDA	\$ 3.8	\$ 9.5	\$ 28.0	\$ 27.5
Adjusted EBITDA as % of net revenues	2.0 %	4.9 %	4.9 %	4.8 %

¹ Rent Impact from IFRS 16, Leases is comprised as follows;

	For the third quarter of		Year to date fiscal	
	2025	2024	2025	2024
Depreciation on right-of-use assets	\$ 10.1	\$ 8.5	\$ 29.2	\$ 24.4
Interest expense on lease liabilities	2.5	1.9	7.5	5.2
Rent impact from IFRS 16, Leases	\$ 12.6	\$ 10.4	\$ 36.7	\$ 29.6

Supplementary Financial Measures

The Company uses a key performance indicator ("KPI"), comparable sales, to assess store performance and sales growth. The Company engages in an omnichannel approach in connecting with its customers by appealing to their shopping habits through either online or store channels. This approach allows customers to shop online for home delivery or to pick up in store, purchase in any of our store locations or ship to home from another store when the products are unavailable in a particular store. Due to customer cross-channel behavior, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Comparable sales are defined as net sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce net sales. The comparable sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a supplementary financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses comparable sales in evaluating the performance of stores and online net sales and considers it useful in helping to determine what portion of new net sales has come from sales growth and what portion can be attributed to the opening of new stores. Comparable sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Comparable sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

Forward-Looking Statements

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control, including statements on the Company's financial position and operations, and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. Consequently, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this press release for the purpose of

giving information about management's current expectations and plans as of the date of this press release and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances.

This press release contains forward-looking statements about the Company's objectives, plans, goals, expectations, aspirations, strategies, financial condition, results of operations, cash flows, performance, and prospects. Specific forward-looking statements in this press release include, but are not limited to, statements with respect to the Company's belief in its strategies and its brands and their capacity to generate long-term profitable growth, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout the Company's Management Discussion & Analysis ("MD&A") including those listed in the "Operating and Financial Risk Management" section of the MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements. Please refer to the "Forward-Looking Statements" section of the Company's MD&A for the third quarter of 2025.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

The Company's complete financial statements including notes and Management's Discussion and Analysis for the third quarter of fiscal 2025 are available online at www.sedarplus.ca.

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