



Aritzia Reports Strong First Quarter 2018 Financial Results

Comparable Sales increased 9.3%
Net Revenue grew 14.7%
Adjusted EBITDA increased 18.9%
Adjusted Net Income increased 29.8%; Reported Net Income increased 4.9%

VANCOUVER, July 12, 2017 — Aritzia Inc. ("Aritzia" or the "Company") (TSX: ATZ), an innovative design house and fashion retailer of exclusive brands, today announced financial results for the first quarter 2018.

"We continued to see strong momentum across our business during the first quarter, with a 9.3% increase in comparable sales, including significant growth in our eCommerce channel. We also saw solid contributions from our new and repositioned stores, which continue to perform at or above our expectations. Adjusted EBITDA grew 18.9% compared to the same quarter last year, while Adjusted Net Income increased 29.8%, even as we invested in talent and infrastructure to support our future store and eCommerce growth," said Brian Hill, Aritzia's Founder, Chief Executive Officer and Chairman. "Our performance demonstrates that our disciplined approach to store growth and eCommerce execution, our vertically-integrated sourcing strategies, and our unwavering focus on offering beautiful, high-quality products at an attainable price point, continue to differentiate Aritzia from all other retailers."

Mr. Hill added, "We continue to manage our business for sustained, long-term growth and are making investments to best position the Company to broaden our customer base, and drive increased sales volume and further margin expansion. This includes recruiting new key talent to bolster the bench strength of our management team, and more than doubling our distribution centre capacity. We're also investing in technology to capture greater customer data and enhance our inventory management to provide a seamless omni-channel shopping experience. Looking forward, we believe these efforts will result in even stronger performance for our business. I continue to be extremely excited about our business today and our future growth opportunities."

Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures. See "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information" further below.

Highlights for the First Quarter

- Net revenue increased by 14.7% to \$145.0 million from \$126.4 million in Q1 last year
- Comparable sales growth⁽¹⁾ was 9.3%, following 12.8% growth in Q1 last year
- Gross profit margin was 39.7% during the quarter. Continued improvement in product costs were offset by additional straight-line rent expense from the new Vancouver distribution centre under construction, as well as rent expense related to new flagship stores not yet open. Excluding these items, gross profit margin for Q1 2018 would have been 40.6%, compared to 40.5% in Q1 last year
- Adjusted EBITDA increased by 18.9% to \$24.0 million from \$20.1 million in Q1 last year
- Net income increased by 4.9% to \$8.1 million from \$7.7 million in Q1 last year
- Adjusted Net Income increased by 29.8% to \$12.5 million, or \$0.11 per diluted share (treasury stock method⁽²⁾), from \$9.6 million or \$0.08 per diluted share (treasury stock method⁽³⁾), in Q1 last year
- The Company opened two new stores (Century City in Los Angeles and Square One Wilfred in Greater Toronto) and expanded one store (Richmond Centre in Greater Vancouver) during the first quarter

(1) Aritzia's comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, Aritzia changed its calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S dollar to Canadian dollar exchange rate of 1:1. The prior eight quarters have been recalculated using the new constant currency calculation. During Q1 2018, both the updated and previous way of calculating comparable sales growth resulted in the same 9.3% growth rate. Please see the Q1 2018 Management's Discussion and Analysis for more information.

(2) Adjusted Net Income per diluted share for Q1 2018 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at May 28, 2017 (or 117,205,825 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information". Further below.

(3) The Company effected changes to its share capital in connection with the Initial Public Offering completed in Q3 2017. For comparative purposes, Adjusted Net Income per diluted share for Q1 2017 is based on the same diluted share count as Adjusted Net Income per diluted share for Q1 2018.

First Quarter Results

All comparative figures below are for the 13-week period ended May 28, 2017, compared to the 13-week period ended May 29, 2016.

Net revenue increased by 14.7% to \$145.0 million from \$126.4 million in the first quarter last year. The increase was primarily driven by comparable sales growth⁽¹⁾ of 9.3%, supported by both positive in-store performance and continued momentum in the Company's eCommerce business, as well as the revenue from seven new store openings and four expanded or repositioned stores since the first quarter of fiscal 2017.

Gross profit increased by 12.4% to \$57.5 million, or 39.7% of net revenue, compared to \$51.2 million, or 40.5% of net revenue, in the first quarter last year. Continued improvement in product costs were offset by rent expense related to the Company's new Vancouver distribution centre, which is under construction and expected to open by the end of fiscal 2018, as well as rent expense related to leases for new flagship stores not yet open during the quarter. Excluding the impact of the straight-line rent expense related to these activities, gross profit margin for the first quarter 2018 would have been 40.6%, compared to 40.5% in the first quarter last year.

Selling, general and administrative ("SG&A") expenses increased by 18.6% to \$40.8 million, compared to \$34.4 million in the first quarter last year. This increase in SG&A expenses was primarily due to ongoing investment in support office talent and higher store labour costs as the Company continues to focus on elevating its retail experience. Included in SG&A during the first quarter was \$0.4 million in costs related to non-recurring items⁽⁴⁾. Excluding these non-recurring items, SG&A for the first quarter 2018 would have been \$40.5 million, representing 27.9% of net revenue, compared to 27.2% of net revenue in the first quarter last year.

Adjusted EBITDA increased by 18.9% to \$24.0 million, or 16.5% of net revenue, compared to \$20.1 million, or 15.9% of net revenue, in the first quarter last year. Adjusted EBITDA in the quarter excludes stock-based compensation expense of \$4.7 million, unrealized foreign exchange gains on U.S. dollar forward contracts of \$0.8 million, and other non-recurring items⁽⁴⁾ of \$0.4 million. Adjusted EBITDA for the first quarter in the prior year excludes stock-based compensation of \$3.7 million and unrealized foreign exchange gains on U.S. dollar forward contracts of \$1.2 million.

Stock-based compensation expense was \$4.7 million, consisting of \$2.3 million in expenses related to the accounting for options under the legacy option plan and \$2.4 million in expenses primarily related to the accounting of options under the new option plan.

Net income for the quarter increased 4.9% to \$8.1 million, compared to \$7.7 million in the first quarter last year.

Adjusted Net Income increased by 29.8% to \$12.5 million, or \$0.11 per diluted share (treasury stock method⁽²⁾), compared to Adjusted Net Income of \$9.6 million, or \$0.08 per diluted share (treasury stock method⁽³⁾), in the first quarter last year. Adjusted Net Income excludes the impact of stock-based compensation expense, unrealized foreign exchange gains on U.S. dollar forward contracts and other non-recurring items, in each case, net of related tax effects.

Outlook

The second quarter of fiscal 2018 is off to a strong start, with positive comparable sales results, which, quarter-to-date, continue to trend similarly to the first quarter.

During the second quarter, Aritzia plans to open two new stores: a flagship store on Rush Street in Chicago and a Babaton banner store in Toronto's Yorkdale Centre. The Company has already expanded and repositioned one store in the second quarter: the Aritzia store in Greater Toronto's Square One Mall. In addition, the Company currently plans to open two new stores and expand or reposition four to five existing locations through the remainder of fiscal 2018. This includes the repositioning of an existing San Francisco location into a flagship store on Market Street.

(4) Please see footnote (1) in the Reconciliation of Net Income to Adjusted EBITDA table in "Selected Consolidated Financial Information" below for further details.

Aritzia continues to see strong momentum online and is expecting substantial growth in its eCommerce business in fiscal 2018, tracking confidently ahead of the Company's eCommerce targets for its five-year plan.

During fiscal 2018, the Company intends to continue making meaningful strategic investments in infrastructure and technology, as well as people – where there are unprecedented opportunities to recruit exceptional talent. While these initiatives can be expected to put pressure on both Cost of Goods Sold and SG&A in the short-term, the Company believes these investments will position Aritzia to meet and/or exceed its five-year plan.

Conference Call

A conference call to discuss fourth quarter results is scheduled for Wednesday, July 12, 2017, at 1:30 p.m. PDT / 4:30 p.m. EDT. A replay will be available shortly after the conclusion of the call and will remain available until July 26, 2017. To access the replay, please dial 1-855-669-9658 and use replay access code 1507. A live and archived webcast will be available and will remain on Aritzia's investor relations website at investors.aritzia.com for thirty days.

About Aritzia

Aritzia is an innovative design house and fashion retailer of exclusive brands. The Company designs apparel and accessories for its collection of exclusive brands and sells them under the Aritzia banner. The Company's expansive and diverse range of women's fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements. Aritzia is well known and deeply loved by its customers in Canada with growing customer awareness and affinity in the United States and outside of North America. Aritzia aims to delight its customers through an aspirational shopping experience and exceptional customer service that extends across its more than 80 retail stores and our eCommerce business, aritzia.com.

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Non-IFRS Measures including Retail Industry Metrics

This press release makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share", and "gross profit margin". This press release also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including retail industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A. Such reconciliations can also be found in this press release under the heading "Selected Consolidated Financial Information". Beginning Q1 2018, Aritzia's comparable sales growth calculation is reported on a constant currency basis to remove the impact of foreign exchange changes on comparable sales growth figures. In calculating the comparable sales growth on a constant currency basis, the prior year's average quarterly exchange rate is applied to both current year and prior year comparable sales to achieve a consistent basis for comparison. The prior eight quarters have been recalculated using the new constant currency calculation. During Q1 2018, both the updated and previous way of calculating comparable sales growth resulted in the same 9.3% growth rate. Please see the Q1 2018 Management's Discussion and Analysis for more information.

Forward-Looking Information

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements include, but are not limited to, expectations regarding industry trends, overall market growth rates, our growth rates and growth strategies, expectations regarding our capital expenditures, operations and use of future cash flow, our business plans and strategies, expectations regarding brand expansions, expectations regarding eCommerce growth, expectations regarding new store openings and the expansion and repositioning of existing stores, expectations regarding increased efficiencies from new or expanded distribution centres and our ability to recruit exceptional talent, our belief that our business model will enable us to deliver consistent sales and profitability growth and in turn, increase shareholder value over the long term and intentions with respect to the implementation of new accounting standards and other statements that are not historical facts. See also the "Outlook" section of this MD&A. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and in the Company's annual information form dated May 10, 2017 for the fiscal year ended February 26, 2017 (the "AIF"). A copy of the AIF can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully. See "Forward-looking Information" and "Risk Factors" in the AIF for a discussion of the uncertainties, risks and assumptions associated with these statements.

Selected Consolidated Financial Information

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS:

(Unaudited, in thousands of Canadian dollars, unless otherwise noted)

	Q1 2018 13 weeks		Q1 2017 13 weeks			
Net revenue	\$	145,046	100.0%	\$	126,407	100.0%
Cost of goods sold		87,508	60.3%		75,196	59.5%
Gross profit		57,538	39.7%		51,211	40.5%
Operating expenses						
Selling, general and administrative		40,843	28.2%		34,427	27.2%
Stock-based compensation expense		4,667	3.2%		3,720	2.9%
Income from operations		12,028	8.3%		13,064	10.3%
Finance expense		1,266	0.9%		2,284	1.8%
Other expense (income), net		(2,226)	(1.5%)		33	0.0%
Income before income taxes		12,988	9.0%		10,747	8.5%
Income tax expense		4,859	3.3%		2,999	2.4%
Net income	\$	8,129	5.6%	\$	7,748	6.1%
Other Performance Measures:						
Year-over-year net revenue growth		14.7%			28.5%	
Comparable sales growth		9.3%			12.8%	
Capital expenditures	\$	16,450		\$	7,080	
Number of stores, end of period		81			74	
New stores added		2			0	
Stores expanded or repositioned		1			2	

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA:*(Unaudited, in thousands of Canadian dollars, unless otherwise noted)*

	Q1 2018 13 weeks	Q1 2017 13 weeks
Net income	\$ 8,129	\$ 7,748
Depreciation and amortization	5,475	4,575
Finance expense	1,266	2,284
Income tax expense	4,859	2,999
EBITDA	19,729	17,606
Adjustments to EBITDA:		
Stock-based compensation expense	4,667	3,720
Unrealized foreign exchange gain on forward contracts	(804)	(1,179)
Other non-recurring items ⁽¹⁾	361	-
Adjusted EBITDA	\$ 23,953	\$ 20,147
Adjusted EBITDA as a Percentage of Net Revenue	16.5%	15.9%
Reconciliation of Net Income to Adjusted Net Income:		
Net income	\$ 8,129	\$ 7,748
Adjustments to net income:		
Stock-based compensation expense	4,667	3,720
Unrealized foreign exchange gain on forward contracts	(804)	(1,179)
Other non-recurring items ⁽¹⁾	361	-
Related tax effects	117	(684)
Adjusted Net Income	\$ 12,470	\$ 9,605
Adjusted Net Income as a Percentage of Net Revenue	8.6%	7.6%
Adjusted Net Income per Diluted Share⁽²⁾⁽³⁾	\$ 0.11	\$ 0.08

**RECONCILIATION OF DILUTED SHARES TO SHARES OUTSTANDING
(for purposes of Adjusted Net Income per diluted share):****(Unaudited)**

	Q1 2018 13 weeks
Weighted average number of basic shares outstanding	108,883,240
Adjustment to account for difference in weighted average number of shares outstanding and actual number of shares outstanding	160,533
Total number of shares outstanding	109,043,773
Dilutive share options under the treasury stock method	8,162,052
Total number of diluted shares for purposes of Adjusted Net Income per diluted share	117,205,825

Notes:

- (1) Other non-recurring items include separation costs related to a senior Company executive departure and January 2017 secondary offering cost accrual reversals.
- (2) Adjusted Net Income per diluted share for Q1 2018 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at May 28, 2017 (or 117,205,825 diluted shares).
- (3) The Company effected changes to its share capital in connection with its initial public offering completed in Q3 2017. For comparative purposes, Adjusted Net Income per diluted share for Q1 2017 is based on the same diluted share count as Adjusted Net Income per diluted share for Q1 2018.

CONDENSED INTERIM CONSOLIDATED CASH FLOWS:*(Unaudited, in thousands of Canadian dollars)*

	Q1 2018 13 weeks	Q1 2017 13 weeks
Cash Flows:		
Net cash (used in) generated from operating activities	\$ (5,635)	\$ 13,661
Net cash generated from (used in) financing activities	323	(165)
Net cash used in investing activities	(16,450)	(7,080)
Effect of exchange rate changes on cash and cash equivalents	82	(10)
(Decrease) increase in cash and cash equivalents	\$ (21,680)	\$ 6,406

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:*(Unaudited, in thousands of Canadian dollars)*

	As at May 28, 2017	As at February 28, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 57,847	\$ 79,527
Accounts receivable	2,711	2,624
Income taxes recoverable	2,979	-
Prepaid expenses and other current assets	12,493	12,743
Inventory	74,403	74,184
Total current assets	150,433	169,078
Property and equipment	105,308	95,695
Intangible assets	59,269	58,484
Goodwill	151,682	151,682
Other assets	1,975	2,052
Deferred tax assets	9,735	9,854
Total assets	\$ 478,402	\$ 486,845
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 44,779	\$ 50,484
Income taxes payable	673	19,222
Current portion of lease obligations	456	766
Current portion of long-term debt	15,292	15,288
Deferred revenue	15,483	15,749
Total current liabilities	76,683	101,509
Other non-current liabilities	50,961	47,711
Deferred tax liabilities	16,667	16,555
Lease obligations	283	983
Long-term debt	118,510	118,479
Total liabilities	263,104	285,237
Shareholders' equity		
Share capital	134,634	131,853
Contributed surplus	91,282	88,612
Retained deficit	(10,351)	(18,480)
Accumulated other comprehensive loss	(267)	(377)
Total shareholders' equity	215,298	201,608
Total liabilities and shareholders' equity	\$ 478,402	\$ 486,845