



Aritzia Annual Report 2017

Aritzia



Aritzia is an innovative design house and fashion retailer.

We believe in high-quality, beautifully designed fashion.
We believe in aspirational environments and experiences.
And we believe that all of this should come at a price
that is truly attainable.

From Our Founder, Chief Executive Officer and Chairman



Brian Hill | Founder, Chief Executive Officer and Chairman

Fellow Shareholders:

After 32 successful years as CEO of Aritzia, this is the first shareholder letter I have written. I would therefore like to start off by welcoming you as shareholders of what I believe is one of the best positioned fashion retailers today. On behalf of Aritzia, we appreciate the confidence you have in both our business and our management team.

Our Fiscal 2017 performance

I am pleased that we have continued to build on the momentum we have achieved over the last three decades, with fiscal 2017 certainly being amongst the strongest years we have ever had. We finished the year with net revenue increasing 23% to \$667 million – bolstered largely by our remarkably strong comparable sales growth of 14%, arguably one of the highest across the industry. Our gross profit margin grew to 39.8%, up from 36.6% last year – increasing 320 basis points through sourcing and manufacturing initiatives – and our adjusted EBITDA¹ increased 39% to \$118 million. Overall, adjusted net income¹ increased by 60% to \$65 million, or \$0.55 per diluted share. We believe this is exceptional performance given that we also made long-term investments to support our growth.

The strength of our business model

Aritzia has performed extraordinarily well despite the current retail landscape. We consistently deliver beautiful product, exceptional customer service and an aspirational shopping experience both online and in our stores. This formula isn't particularly complicated: we simply excel at executing our strategy, season after season and year after year. It's our attention to detail – the

detail we are putting into developing our brand, products, stores and eCommerce business. It's also our long-term perspective, which we have always had and will continue to have in building our infrastructure of people, processes and systems.

We remain focused on offering beautifully designed products through our exclusive brands, with high-quality fabrics, considered details, sophisticated construction and superior fit. We source the majority of our raw materials directly from suppliers and manufacturers, which we believe to be best-in-class, and work closely with our partners throughout the production process. This approach enables us to offer our customers beautiful products at a price that is attainable, while generating attractive margins. We continuously gauge demand and fashion trends through sales analytics, ensuring we are creating and delivering the products that our customers desire.

With more than 80 stores and a growing eCommerce business, we are building a truly omni-channel sales strategy to meet the evolving needs and preferences of our customers. We believe there is a synergistic relationship between our store network and aritzia.com, with the success of each channel benefitting the other through increased brand awareness and affinity. Through our eCommerce sales channel we're able to offer a broader range of products and meet the needs of customers in Canada, the United States and international markets. Our eCommerce business continues to generate meaningful growth and has outpaced our performance targets. During fiscal 2017 we also opened five new stores and expanded or repositioned five others – all of which have met or exceeded our performance expectations.

During fiscal 2017 we continued to make strategic investments in our technology systems and infrastructure, including the successful launch of the first phase of our Human Resources Information System. We also began planning for our new Point of Sale (POS) System and our new distribution centres – which are expected to launch in fiscal 2018.

Moving forward with our strategy

Aritzia's growth and operating performance have significantly outpaced most other companies in the fashion retail sector, which demonstrates the strength of our product offering and sourcing

initiatives, measured real estate strategy and growing eCommerce business. Our strategy is proven, with sales growing consistently for over 20 years.

We will continue to build on our portfolio of exclusive brands, design beautiful and innovative products, and drive sourcing efficiencies. With our increased scale we have also secured better contract terms with our suppliers and manufacturers, which we believe will deliver gross margin expansion over the long-term.

Our near-term growth strategy is focused on the North American market, where we continue to see opportunity. Over the next five years, we will be adding to our premier real estate portfolio, reaching new markets and expanding existing stores in Canada and the United States. We plan to open five to six new stores and expand or reposition six to seven existing locations during fiscal 2018, and have already opened two new stores and repositioned one during the first quarter. Our approach to growth will always be measured and methodical: we're focused on meticulously designed stores in premier, high-traffic locations that will support our brand position and high store productivity. In fact, our strong sales volume is making us a sought-after tenant by major landlords, particularly in the U.S., resulting in increased opportunity to secure top quality locations in prime shopping destinations.

Alongside expected store sales growth, we also continue to see significant opportunity to drive our eCommerce channel, which we believe will represent an expanding portion of our business and will continue to reinforce our strong operating margins. In fiscal 2018 we are starting the journey towards using advanced business intelligence and behavioural analytics to further enhance our understanding of our customers, which will in turn position us to accelerate traffic and conversion, and generate increased sales volume in our eCommerce business.

While top line expansion will drive our growth, we are also seeing new opportunities to leverage long-term operational efficiencies with the increased scale of our business. In order to capture those efficiencies, some up-front investments will be required. During fiscal 2018, we will move into two expanded and upgraded distribution centres to better facilitate our store and eCommerce growth and timely inventory

distribution. Technology investments will also remain a focus for us during fiscal 2018, with the launch of a new POS system and the next phase of our Human Resource Information System. As well, we will continue to invest in high calibre talent across our organization – from sales associates to our support office team, to help us achieve our strategic goals.

Overall, we are very confident we will achieve our fiscal 2021 financial targets and remain well-positioned to drive long term revenue and earnings growth.

Our competitive position

We remain focused on our strategy and seamless execution, and view the challenges many other companies in our sector have faced as opportunities that we can leverage. In fact, our strong performance relative to others has presented hiring, real estate and purchasing opportunities that I have not witnessed since our inception.

We are realistic that the trajectory of our company's growth may face occasional headwinds; however, we are dedicated to managing the business with a long-term outlook. I believe we have the opportunity to become the most relevant and loved fashion destination for women all over the world, and we are committed to becoming just that.

In appreciation

The unwavering dedication and innovation of our people is at the core of our success – whether they are engaging with customers in our stores, creating beautiful product in our design studio or streamlining our operations in our support offices. Our employees, and their commitment to ongoing progress, are what drive our business forward. I am extremely proud of the quality of our team.

I want to take this opportunity again to extend a sincere thank you to all of our new and existing shareholders for your continued confidence in our vision for our business and in our ability to capitalize on the market opportunities we see for our company. I look forward to sharing our future achievements and financial performance with you as we deliver on our growth strategy in the years ahead.

Thank you,



¹ Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share are all non-IFRS measures which we use in measuring our operating performance. See our MD&A for further information on how we use these measures, the relevant definitions and reconciliations of these non-IFRS measures to the relevant reported measures. All figures in this Annual Report are in Canadian dollars, unless otherwise indicated

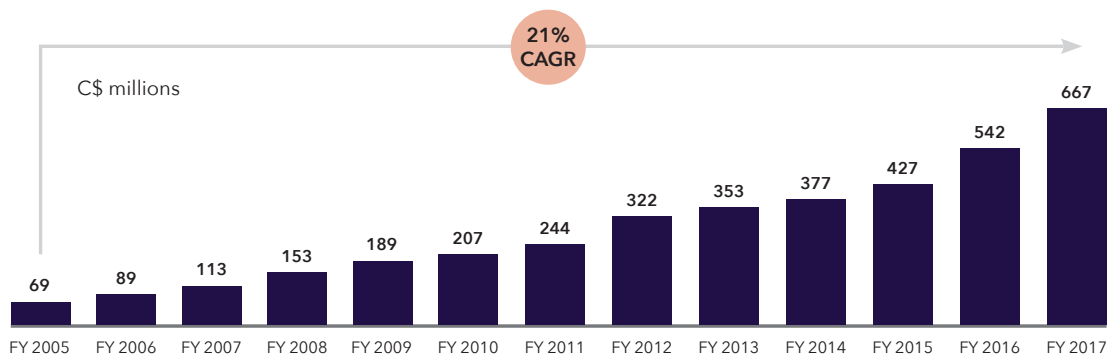
A Portfolio of Exclusive Brands

We conceive, create and develop our own brands, and sell them under the Aritzia banner. Approaching each brand as an independent label with its own aesthetic, we address a broad range of style preferences and lifestyle requirements. Our exclusive brands currently represent over 90% of our net revenue.

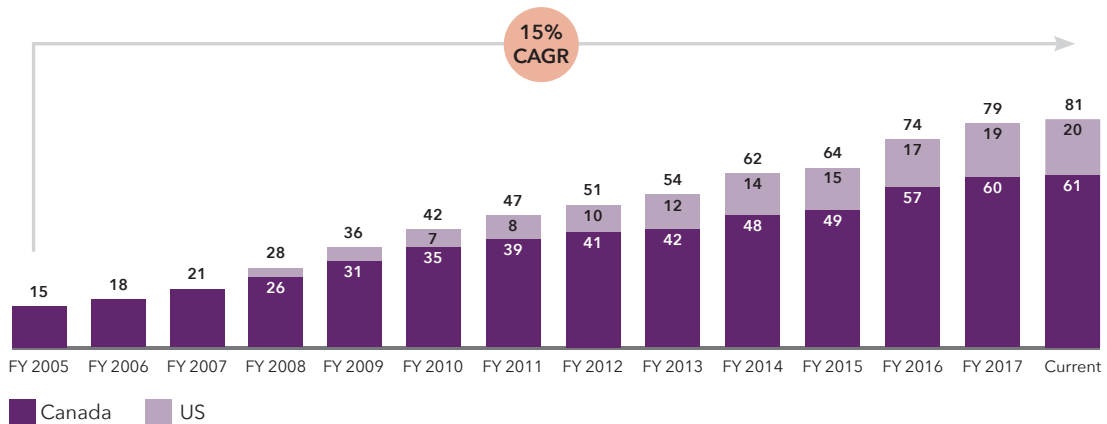
TALULA	wilfred	Tna
BABATON	wilfred free	GOLDEN by Tna
I-OI	le fou	The Constant.
The Group	little moon	Community

A Record of Consistent Growth

Aritzia has a proven track record of consistent net revenue growth, with strong net revenue growth every year for the last 20 years.



We have never closed an Aritzia store in our 32-year history – a testament to our disciplined and measured store growth strategy.



A photograph of an Aritzia retail store interior. In the foreground, a wooden table displays folded clothing items, including a white short-sleeved shirt and a stack of light-colored trousers. To the left, a mannequin wears a light-colored, belted dress. Behind it, another mannequin wears a white lace top and light-colored trousers. A large potted plant with green leaves is positioned to the right of the mannequins. In the background, more clothing racks and a mannequin in a light-colored dress are visible. The store has a modern, minimalist aesthetic with warm lighting and a mix of materials like wood and metal.

An Aspirational Shopping Experience

Aritzia has more than 80 stores in prime real estate locations – high-performing retail malls and high streets across North America, including New York, Boston, San Francisco, Los Angeles, Vancouver, Toronto and Montreal. Both in store and online, we pride ourselves on providing an exceptional shopping experience with personalized customer service.



Exceptional Quality at an Attainable Price Point

Aritzia products have a depth of design and quality that provides our customers with compelling value. Premium fabrics, considered detailing, sophisticated construction and superior fit are at the core of each exclusive collection.

Selected Financial Metrics¹

14.0% comparable sales growth in Fiscal 2017, following 16.7% growth in Fiscal 2016

Positive comparable sales growth in 17 out of the last 20 years

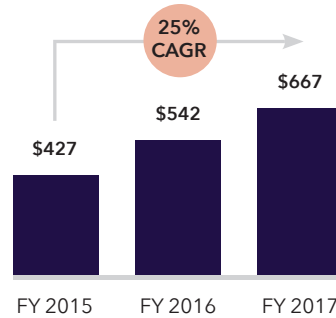
10 consecutive quarters of positive comparable sales growth

Gross profit margin increased to 39.8% in Fiscal 2017 from 36.6% in Fiscal 2016

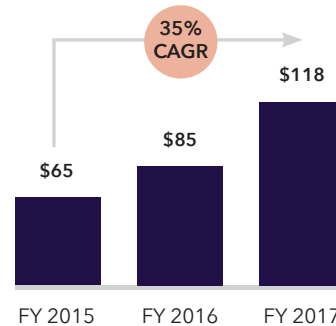
Significant free cash flow generation
- Adjusted EBITDA grew to \$117.7 million in Fiscal 2017

¹ In addition to using financial measures prescribed under International Financial Reporting Standards ("IFRS"), this Annual Report makes reference to certain non-IFRS measures, including certain retail industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Please refer to the section entitled "Non-IFRS Measures" in the Management's Discussion & Analysis within this Annual Report for a discussion of the definitions, components, reconciliations, and use of these measures.

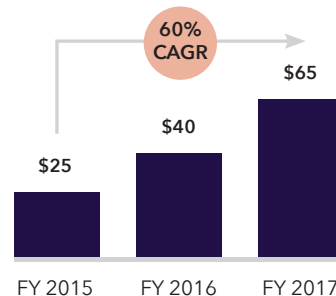
Revenue (C\$ millions)



Adjusted EBITDA (C\$ millions)



Adjusted Net Income (C\$ millions)



A low-angle, close-up photograph of a person wearing traditional clothing. A large, flowing shawl with a blue and white geometric pattern is draped over their shoulders, partially obscuring a dark garment underneath. The shawl's border features a decorative gold-colored fringe. The person's legs, clad in light-colored trousers, are visible at the bottom. The background is a clear, bright blue sky. The text "Management's Discussion & Analysis" is centered over the image in a white, sans-serif font.

Management's Discussion & Analysis



Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended February 26, 2017

May 10, 2017

The following Management's Discussion and Analysis ("MD&A") dated May 10, 2017 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the fourth quarter and the fiscal year ended February 26, 2017. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes for Fiscal 2017 (as hereinafter defined).

Basis of Presentation

Our audited annual consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated. We manage our business on the basis of one operating and reportable segment.

All references in this MD&A to "Q4 2017" are to our 13-week period ended February 26, 2017, and to "Q4 2016" are to our 13-week period ended February 28, 2016. All references in this MD&A to "Fiscal 2017" are to our 52-week period ended February 26, 2017, to "Fiscal 2016" are to our 52-week period ended February 28, 2016 and to "Fiscal 2015" are to our 52-week period ended March 1, 2015.

The audited annual consolidated financial statements and accompanying notes for the 52-week period ended February 26, 2017 and this MD&A were reviewed by our Audit Committee and approved by our Board of Directors on May 10, 2017.

Non-IFRS Measures Including Retail Industry Metrics

This MD&A 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 or 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 MD&A also makes reference to "comparable sales growth" and "sales per square foot", which are commonly used operating metrics 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. For definitions and reconciliations of these non-IFRS measures to the relevant reported

measures, please see "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Certain statements made in this MD&A, including, but not limited to, expectations regarding industry trends, overall market growth rates, and 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 new store openings and the expansion and repositioning of existing stores, intentions with respect to the implementation of new accounting standards and other statements that are not historical facts, are forward-looking.

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.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Overview

Aritzia is an innovative design house and fashion retailer of exclusive brands. We design apparel and accessories for our collection of exclusive brands and sell them under the Aritzia banner. We conceive, create, develop and sell a strategic mix of women's fashion products directly to our customers with a depth of design and quality that provides compelling value. Our unique multi-brand portfolio and product mix affords us enhanced flexibility to address evolving fashion trends and enables us to appeal to our customers across multiple life stages, resulting in strong and enduring customer loyalty.

We connect our customers to the energy of our culture through the products we sell, the environments we create and the ways in which we communicate. We currently operate 61 stores in Canada and 20 stores in the United States, averaging approximately 5,000 square feet, all of which are in prime locations within high performing retail malls and high streets. We sell our products exclusively through our stores and *aritzia.com*, giving us complete control of the presentation of our brand and the relationships with our customers. This strategy allows us to present our brand in a consistent manner, including pricing, marketing and product presentation. We strive to offer our customers an aspirational shopping experience and exceptional level of service at every interaction. Our culture is highly focused on the customer, and our sales associates and eCommerce support teams are trained to provide shopping experiences that are personalized to exceed our customers' wants and needs.

Initial Public Offering

On October 3, 2016, we successfully closed our initial public offering (the "IPO") of our subordinate voting shares (the "Shares") at a price of \$16.00 per Share through a secondary sale of shares by our principal shareholders. Our principal shareholders sold 25,000,000 Shares under the IPO for total gross proceeds of \$400.0 million. The Shares are listed for trading on the Toronto Stock Exchange under the symbol "ATZ".

The underwriters were granted an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 3,750,000 Shares from our principal shareholders at a price of \$16.00 per Share. The Over-Allotment Option was fully exercised after the IPO and raised additional gross proceeds of \$60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders and other expenses related to the IPO of approximately \$7.7 million were incurred and are being paid by us.

In connection with and immediately prior to the IPO, each Class A and Class C common share was exchanged for either one multiple voting share or one Share. Our Class B and Class D common shares and preferred shares were removed from our authorized share capital. Our authorized share capital consists of (i) an unlimited number of Shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series.

Following the foregoing share exchanges, all of our issued and outstanding multiple voting shares and Shares were consolidated on an approximately one-to-0.5932 basis. In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on an approximately one-to-0.5932 basis for options exercisable to acquire Shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Concurrent with the IPO, amendments to our credit facilities with our syndicate of lenders became effective. See the section entitled "Liquidity and Capital Resources - Credit Facilities".

Secondary Offering

On January 26, 2017, we successfully closed a secondary offering (the "Secondary Offering") of our Shares by certain of our shareholders at a price of \$17.45 per Share, as well as a concurrent block trade by a group of our employees ("Concurrent Block Trade"). Our shareholders sold 20,100,000 Shares under the Secondary Offering and our employees sold 1,788,366 Shares under the Concurrent Block Trade for total gross proceeds of \$382.0 million. Underwriting fees were paid by the selling shareholders and other expenses related to the Secondary Offering of approximately \$0.9 million were incurred and are being paid by us.

Financial Highlights

We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items discussed below and, when applicable, to the section entitled "Selected Consolidated Financial Information" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Q4 2017 Compared to Q4 2016

Select financial highlights include the following:

- Net revenue increased by 17.4% to \$196.4 million from \$167.4 million in Q4 2016
- Comparable sales growth was 11.5%, following 9.2% comparable sales growth in Q4 2016
- Gross profit margin increased to 38.4% from 34.0% in Q4 2016
- SG&A expenses increased by 26.9% to \$49.5 million from \$39.0 million in Q4 2016. Excluding the impact of Secondary Offering costs incurred this quarter of approximately \$0.9 million, SG&A expenses were 24.7% of net revenue, compared to 23.3% of net revenue in Q4 2016
- Adjusted EBITDA increased by 38.8% to \$32.3 million from \$23.3 million in Q4 2016. Adjusted EBITDA was 16.4% of net revenue, compared to 13.9% of net revenue in Q4 2016
- Stock-based compensation of \$4.4 million was expensed in Q4 2017 primarily due to the accounting of options under our legacy option plan of \$2.3 million and the accounting of options under our new option plan of \$2.1 million
- Net income increased by 15.1% to \$11.5 million, compared to net income of \$10.0 million in Q4 2016
- Adjusted Net Income increased by 55.5% to \$18.3 million, or \$0.16 per diluted share (treasury stock method⁽¹⁾), compared to \$11.8 million, or \$0.10 per diluted share (treasury stock method⁽²⁾) in Q4 2016. Adjusted Net Income was 9.3% of net revenue, compared to 7.0 % of net revenue in Q4 2016

Fiscal 2017 Compared to Fiscal 2016

Select financial highlights include the following:

- Net revenue increased by 23.0% to \$667.2 million from \$542.5 million in Fiscal 2016
- Comparable sales growth was 14.0%, following 16.7% comparable sales growth in Fiscal 2016
- Gross profit margin increased to 39.8% from 36.6% in Fiscal 2016
- SG&A expenses increased by 32.3% to \$178.8 million from \$135.1 million in Fiscal 2016. Excluding the impact of IPO costs and Secondary Offering costs of approximately \$8.6 million, SG&A expenses were 25.5% of net revenue, compared to 24.9% of net revenue in Fiscal 2016
- Adjusted EBITDA increased by 38.5% to \$117.7 million from \$85.0 million in Fiscal 2016. Adjusted EBITDA was 17.6% of net revenue, compared to 15.7% of net revenue in Fiscal 2016
- Stock-based compensation expense of \$103.0 million was primarily due to the fair value accounting of our legacy time-based options and the triggering of our legacy performance-based options in connection with the IPO. Prior to the IPO, we accounted for the time-based options under the legacy option plan as a stock-based compensation liability due to the cash settlement feature. As of September

Notes:

⁽¹⁾ Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 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 February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

⁽²⁾ The Company effected changes to its share capital in connection with the IPO completed in Q3 2017. For comparative purposes, Adjusted Net Income per diluted share for Q4 2016 and Fiscal 2016 is based on the same diluted share count as Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017, respectively.

30, 2016, we amended the legacy option plan to remove this cash settlement feature and, accordingly, accounted for the time-based options as an equity-settled plan from this date forward

- Net loss was \$56.1 million compared to net income of \$32.4 million in Fiscal 2016. This net loss was primarily driven by the non-cash stock-based compensation expense of \$103.0 million as discussed above
- Adjusted Net Income increased by 60.4% to \$64.6 million, or \$0.55 per diluted share (treasury stock method⁽¹⁾), from \$40.3 million, or \$0.34 per diluted share (treasury stock method⁽²⁾) in Fiscal 2016. Adjusted Net Income was 9.7% of net revenue, compared to 7.4% of net revenue in Fiscal 2016

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below. See also the "Risk Factors" section of this MD&A and in our AIF.

Our Brand

Aritzia is a growing, innovative design house and fashion retailer that creates and develops fashion apparel. We have become a well known and deeply loved brand by our customers in Canada with growing customer awareness and affinity in the United States and outside of North America. Maintaining, enhancing and growing our brand appeal within our addressable market is critical to our continued success. Any loss of brand appeal may adversely affect our business and financial results.

Product Innovation and Merchandise Planning Strategy

We believe that our differentiated multi-brand strategy is a key driver of our year-over-year net revenue growth, comparable sales growth and average sales per square foot of greater than \$1,400 per square foot. Each of our exclusive brands is treated as an independent label with its own vision and aesthetic point of view, and is supported by our own dedicated in-house design team focused on creating beautiful products. Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined over many years, and are designed to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place.

Store Network Expansion and Enhancement

We have a meaningful opportunity to continue to grow our store network across North America, particularly in the United States. In addition to opening new Aritzia and exclusive brand stores (e.g. Wilfred, Babaton and TNA), we have generated attractive returns on capital by enhancing elements of our existing stores (including footprint, layout and assortment) through carefully considered store expansions and repositions.

The following table summarizes the change in our store count for the periods indicated.

	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Number of stores, beginning of period	77	72	74	64
New stores	2	2	5	10
Number of stores, end of period	79	74	79	74
Stores expanded or repositioned	-	-	5	2

In addition to the changes in our store count since the fourth quarter of last year (described in the table above), during the first quarter of 2018, we opened two new stores and repositioned one store.

eCommerce Growth

Our eCommerce business was launched in fiscal 2013 and quickly surpassed our growth expectations with continued outstanding performance in Fiscal 2017.

We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our customers. We believe there is a synergistic relationship between our store network and *aritzia.com*, with the success of each channel benefiting the other through increased brand awareness and affinity. Within our eCommerce business, we believe there is a significant opportunity to broaden the assortment of both exclusive brands and third party products to complement our existing offering and drive new sales.

We introduced shipping to international markets in October 2016, which is helping set the foundation for future expansion by allowing us to gather intelligence, refine our learnings and identify international markets that could support our stores. This will further enhance our eCommerce reach, allowing us to capitalize on growing demand for our products outside North America.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent third party mills, trim suppliers and manufacturers for our exclusive brands, which provide us with the flexibility to source high quality materials and products at competitive costs. We source the majority of our raw materials directly from mills, trim suppliers and manufacturers, which we believe to be best-in-class, located primarily in Asia and Europe that uphold our standards for quality, lead time and cost. By partnering closely with long-standing manufacturers as well as adding new innovative and scalable manufacturers, we have been able to drive lower product costs. We also maintain a formalized quality assurance program whereby we inspect our manufacturers' factories to ensure quality control. We engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards.

Infrastructure Investments

We continue to strategically invest ahead of our growth plans. During Q4 2017, we implemented a set of enhancements to our new human resource information system, which included the implementation of employee self-service, and time and absence management. In the coming year, we expect to launch additional capabilities of this system to better enable strategic human capital decisions, as well as a new point-of-sale (POS) system to further enhance our omni-channel operations and customer relationship capabilities. In April 2017, we expanded our Columbus area distribution centre capacity from 45,000 square feet to 138,000 square feet. We have also begun the process of relocating and expanding our Greater Vancouver distribution centre, from our existing 83,000 square foot facility into a new 223,000 square foot facility. We expect the new Greater Vancouver distribution centre to be operational by Spring of next year. These investments in systems and infrastructure are expected to drive increased efficiencies and set the stage for the next phase of growth.

Consumer Trends

The women's apparel industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. Our differentiated multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in consumer demand and fashion preferences, which has been a critical driver of the consistency of our growth. Our diversified mix of exclusive brands satisfies a broad range of fashion needs, which allows us to attract a wide customer base and increases our addressable market. Our revenue is also impacted by discretionary spending by consumers, which is affected by many factors that are beyond our control, including, but not limited to, general economic conditions, consumer disposable income levels, consumer confidence levels, consumer debt, the cost of basic necessities and other goods and the effects of weather or natural disasters. We believe that our track record demonstrates the success of our exclusive brand strategy at responding to changes in fashion demands through all stages of economic cycles.

Seasonality

Our business is seasonal, with a higher proportion of net revenue and operating cash flows generated during the second half of the fiscal year, which includes the back-to-school and holiday seasons. We also have higher working capital requirements in the periods preceding the launch of new seasons as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our revolving credit facility (defined herein).

Average quarterly share of annual net revenue over the last three completed fiscal years is as follows:

First fiscal quarter	18%
Second fiscal quarter	23%
Third fiscal quarter	28%
Fourth fiscal quarter	31%
Yearly total	100%

Weather

Extreme weather conditions in the areas in which our stores are located could adversely affect our business and financial results. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our revenue and profitability. This is potentially mitigated by our customers' ability to buy our products through *aritzia.com*. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect sales of these seasonal items.

Competition

We operate in the women's apparel industry, primarily within the North American market. We are strategically positioned in a customer market segment of the global fashion landscape between fast fashion and affordable luxury. We compete on the basis of several factors that include our strategic mix of exclusive brands, offering high quality products at an attainable price point, our proven and sophisticated merchandise planning strategy, our focus on providing exceptional customer service, our premier real estate portfolio and our market positioning. We believe the industry is evolving to benefit players like us that have the scale needed to leverage their infrastructure and capabilities in areas such as brand equity creation, real estate selection, store design, supply chain and eCommerce.

Foreign Exchange

The majority of our net revenue is derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars, which has caused an increase in our cost of goods sold since Fiscal 2014 due to the weakening of the Canadian dollar against the U.S. dollar over this period. Future fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross profit margins and operating results. We use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategies will prove to be successful. See "Financial Instruments" and "Risk Factors" sections of this MD&A.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net Revenue

Net revenue primarily reflects our sale of merchandise, less returns and discounts. Retail revenue is recognized at the point of sale, net of an estimated allowance for returns, while eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns.

Comparable Sales Growth

Comparable sales growth is a retail industry metric used to compare the percentage change in sales derived from the established stores of a certain period as compared to the sales from the same stores in the same period in the prior year. Comparable sales growth helps to explain our revenue growth in established stores and eCommerce, which may not otherwise be apparent when relying solely on net revenues. Comparable sales is calculated based on revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts), and excludes stores that were expanded or repositioned and stores in centres where we opened a new additional store during this period. Comparable sales growth also excludes the impact of foreign currency fluctuations as it is calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1 in all reporting periods. Our comparable sales growth may be calculated differently compared to other retailers.

Gross Profit

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for our stores and distribution centres. Our cost of goods sold may include different costs compared to other retailers. Gross profit as a percentage of net revenue (gross profit margin) is impacted by the components of cost of goods sold, product mix and markdowns. We define gross profit margin as our gross profit divided by our net revenues.

Selling, General and Administrative ("SG&A") Expenses

Our SG&A expenses consist of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets. We expect our SG&A expenses to increase as we continue to open new stores, grow our eCommerce business, increase brand awareness and invest in our infrastructure. Our SG&A expenses have increased as a result of public company costs, as well as costs related to the IPO and Secondary Offering.

SG&A expenses as a percentage of net revenue is usually higher in the lower-volume first and second quarters, and lower in the higher-volume third and fourth quarters because a portion of these costs are relatively fixed. Our SG&A expenses may include different expenses compared to other retailers.

EBITDA

We define EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure of operating performance, as it provides a more relevant picture of operating results in that it excludes the effects of financing and investing activities by removing the effects of interest, depreciation and amortization, expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating

performance. Because Adjusted EBITDA excludes non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges.

Adjusted Net Income (per diluted share)

We believe Adjusted Net Income (per diluted share) is a useful measure of performance, as it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted Net Income as consolidated net income (loss), adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. We define Adjusted Net Income per diluted share 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 the end of the relevant period.

Sales per Square Foot

We calculate sales per square foot by dividing the revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 13 fiscal periods (i.e. approximately 13 months) by the total leasable square footage used for day-to-day retail operations for these stores. Our sales per square foot may be calculated differently compared to other retailers.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods and fiscal years indicated. The selected consolidated financial information set out below for Fiscal 2017, Fiscal 2016 and Fiscal 2015 has been derived from our audited annual consolidated financial statements and related notes. The selected consolidated financial information set out below for Q4 2017 and Q4 2016 is unaudited.

	Q4 2017 13 weeks		Q4 2016 13 weeks		Fiscal 2017 52 weeks		Fiscal 2016 52 weeks		Fiscal 2015 52 weeks						
	(in thousands of Canadian dollars, unless otherwise noted)														
Consolidated Statements of Operations:															
Net revenue	\$	196,396	100.0%	\$	167,358	100.0%	\$	667,181	100.0%	\$	542,463	100.0%	\$	427,426	100.0%
Cost of goods sold		121,028	61.6%		110,426	66.0%		401,658	60.2%		344,095	63.4%		268,081	62.7%
Gross profit		75,368	38.4%		56,932	34.0%		265,523	39.8%		198,368	36.6%		159,345	37.3%
Operating expenses															
Selling, general and administrative		49,471	25.2%		38,992	23.3%		178,773	26.8%		135,111	24.9%		113,539	26.6%
Stock-based compensation expense		4,413	2.2%		2,025	1.2%		103,044	15.4%		10,651	2.0%		11,890	2.8%
Income (loss) from operations		21,484	10.9%		15,915	9.5%		(16,294)	(2.4%)		52,606	9.7%		33,916	7.9%
Finance expense		1,339	0.7%		2,306	1.4%		10,455	1.6%		10,995	2.0%		12,982	3.0%
Other expense (income), net		1,589	0.8%		(302)	(0.2%)		(1,362)	(0.2%)		(3,512)	(0.6%)		(1,754)	(0.4%)
Income (loss) before income taxes		18,556	9.4%		13,911	8.3%		(25,387)	(3.8%)		45,123	8.3%		22,688	5.3%
Income tax expense		7,028	3.6%		3,898	2.3%		30,722	4.6%		12,751	2.4%		6,238	1.5%
Net income (loss)	\$	11,528	5.9%	\$	10,013	6.0%	\$	(56,109)	(8.4%)	\$	32,372	6.0%	\$	16,450	3.8%
Other Performance Measures:															
Year-over-year net revenue growth		17.4%		20.6%		23.0%		26.9%		13.4%					
Comparable sales growth		11.5%		9.2%		14.0%		16.7%		7.6%					
Capital expenditures	\$	11,610		\$	6,685		\$	31,136		\$	28,183		\$	12,732	
Number of stores, end of period		79		74		79		74		64					

The following table provides a reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted Net Income, Adjusted Net Income per diluted share and Comparable Sales to Net Revenue for the periods indicated.

	Q4 2017 13 weeks	Q4 2016 13 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks	Fiscal 2015 52 weeks
(in thousands of Canadian dollars unless otherwise noted)					
Reconciliation of Net Income (Loss) to Adjusted EBITDA:					
Net income (loss)	\$ 11,528	\$ 10,013	\$ (56,109)	\$ 32,372	\$ 16,450
Depreciation and amortization	5,362	4,834	21,129	18,200	17,281
Finance expense	1,339	2,306	10,455	10,995	12,982
Income tax expense	7,028	3,898	30,722	12,751	6,238
EBITDA	25,257	21,051	6,197	74,318	52,951
Adjustments to EBITDA:					
Stock-based compensation expense	4,413	2,025	103,044	10,651	11,890
Unrealized foreign exchange loss (gain) on forward contracts	1,730	177	(181)	-	-
IPO and Secondary Offering costs	881	-	8,604	-	-
Adjusted EBITDA	\$ 32,281	\$ 23,253	\$ 117,664	\$ 84,969	\$ 64,841
Adjusted EBITDA as a Percentage of Net Revenue	16.4%	13.9%	17.6%	15.7%	15.2%
Reconciliation of Net Income (Loss) to Adjusted Net Income:					
Net income (loss)	\$ 11,528	\$ 10,013	\$ (56,109)	\$ 32,372	\$ 16,450
Adjustments to net income (loss):					
Stock-based compensation expense	4,413	2,025	103,044	10,651	11,890
Unrealized foreign exchange loss (gain) on forward contracts	1,730	177	(181)	-	-
IPO and Secondary Offering costs	881	-	8,604	-	-
Refinancing costs related to debt modification at the IPO	-	-	2,867	-	-
Related tax effects	(268)	(458)	6,402	(2,741)	(3,049)
Adjusted Net Income	\$ 18,284	\$ 11,757	\$ 64,627	\$ 40,282	\$ 25,291
Adjusted Net Income as a Percentage of Net Revenue	9.3%	7.0%	9.7%	7.4%	5.9%
Adjusted Net Income per Diluted Share ⁽¹⁾⁽²⁾	\$ 0.16	\$ 0.10	\$ 0.55	\$ 0.34	\$ 0.22

Notes:

⁽¹⁾ Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 are non-IFRS measures and are 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 February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see below.

⁽²⁾ The Company effected changes to its share capital in connection with the IPO completed in Q3 2017. For comparative purposes, Adjusted Net Income per diluted share for Q4 2016, Fiscal 2016 and Fiscal 2015 are based on the same diluted share count as Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017.

	Q4 2017 13 weeks	Q4 2016 13 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks	Fiscal 2015 52 weeks
(in thousands of Canadian dollars)					
Reconciliation of Comparable Sales to Net Revenue:					
Comparable sales ⁽³⁾	\$ 130,958	\$ 113,525	\$ 446,874	\$ 407,244	\$ 366,982
Non-comparable sales	65,438	53,833	220,307	135,219	60,444
Net revenue	<u>\$ 196,396</u>	<u>\$ 167,358</u>	<u>\$ 667,181</u>	<u>\$ 542,463</u>	<u>\$ 427,426</u>

Note:

⁽³⁾ The comparable sales for a given period represents revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts) within that given period. This information is provided to give context for comparable sales in such given year as compared to net revenue reported in our financial statements. See relevant definition in "How We Assess the Performance of Our Business" of this MD&A.

	Q4 2017 13 weeks	Fiscal 2017 52 weeks
Reconciliation of Diluted Shares (for purposes of Adjusted Net Income per diluted share) to Shares Outstanding:		
Weighted average number of basic shares outstanding	107,612,377	104,787,171
Adjustment to account for difference in weighted average number of shares outstanding and actual number of shares outstanding	1,160,084	3,985,290
Total number of shares outstanding	<u>108,772,461</u>	<u>108,772,461</u>
Dilutive share options under the treasury stock method	8,636,384	8,636,384
Total number of diluted shares for purposes of Adjusted Net Income per diluted share	<u>117,408,845</u>	<u>117,408,845</u>

The following table provides selected financial position data for the periods indicated.

	As at February 26, 2017	As at February 28, 2016	As at March 1, 2015
Selected Consolidated Financial Position Data:			
Total assets	\$ 486,845	\$ 401,118	\$ 373,412
Total non-current liabilities	183,728	221,285	206,648

Results of Operations

Analysis of Results for Q4 2017 to Q4 2016

The following section provides an overview of our financial performance during Q4 2017 compared to Q4 2016.

Net Revenue

Net revenue increased by 17.4% to \$196.4 million in Q4 2017, compared to \$167.4 million in Q4 2016. The increase was primarily driven by comparable sales growth of 11.5%, with strong in-store performance and continued momentum in our eCommerce business, as well as the revenue from five new store openings and five expanded or repositioned stores since the fourth quarter of last year.

Gross Profit

Gross profit increased by 32.4% to \$75.4 million in Q4 2017, compared to \$56.9 million in Q4 2016. The increase was primarily driven by an increase in net revenue and improvement in gross profit margin.

Gross profit margin was 38.4% in Q4 2017, compared to 34.0% in Q4 2016. The increase in gross profit margin was primarily attributable to lower product-related costs in addition to leverage on the fixed portion of store occupancy costs and fewer markdowns compared to Q4 2016.

SG&A Expenses

SG&A expenses increased by 26.9% to \$49.5 million in Q4 2017, compared to \$39.0 million in Q4 2016. SG&A expenses in Q4 2017 included costs incurred in conjunction with the Secondary Offering.

SG&A expenses were 24.7% of net revenue in Q4 2017, excluding the impact of Secondary Offering costs of approximately \$0.9 million, compared to 23.3% of net revenue in Q4 2016. This increase was primarily due to investment in support office talent and higher store labour costs as we continue to focus on elevating our retail experience.

Adjusted EBITDA

Adjusted EBITDA increased by 38.8% to \$32.3 million, or 16.4% of net revenue in Q4 2017, compared to \$23.3 million, or 13.9% of net revenue in Q4 2016, primarily due to the factors discussed above.

Stock-Based Compensation Expense

Stock-based compensation of \$4.4 million was expensed in Q4 2017, compared to \$2.0 million in Q4 2016. Included in Q4 2017 is \$2.3 million of expense that relates to the accounting of our options under the legacy option plan. The remaining \$2.1 million of expense primarily relates to the accounting of options under our new option plan.

Finance Expense

Finance expense decreased by \$1.0 million to \$1.3 million in Q4 2017, compared to \$2.3 million in Q4 2016. The decrease was primarily driven by lower average debt outstanding and lower average interest rates.

Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rates for Q4 2017 and Q4 2016 were 26.3% and 26.2%, respectively. Income taxes increased by \$3.1 million to \$7.0 million in Q4 2017, compared to \$3.9 million in Q4 2016. The effective tax rates for Q4 2017 and Q4 2016 were 37.9% and 28.0%, respectively. The increase in the income tax expense and effective income tax rate when compared to Q4 2016 is primarily due the increase in income from operations excluding stock-based compensation expense which is not deductible for tax purposes. In Q4 2016, stock-based compensation expense for legacy time-based options was treated as a deductible expense due to the cash settlement feature.

Net Income (Loss)

Net income was \$11.5 million in Q4 2017, compared to net income of \$10.0 million in Q4 2016, primarily due to the factors discussed above.

Adjusted Net Income

Adjusted Net Income increased by 55.5% to \$18.3 million, or \$0.16 per diluted share in Q4 2017, compared to \$11.8 million, or \$0.10 per diluted share in Q4 2016, primarily due to the factors discussed above.

Analysis of Results for Fiscal 2017 to Fiscal 2016

The following section provides an overview of our financial performance during Fiscal 2017 compared to Fiscal 2016.

Net Revenue

Net revenue increased by 23.0% to \$667.2 million in Fiscal 2017, compared to \$542.5 million in Fiscal 2016. The increase was primarily driven by comparable sales growth of 14.0%, arising from both the strong performance in stores and continued momentum in our eCommerce business, as well as revenue from non-comparable stores.

Gross Profit

Gross profit increased by 33.9% to \$265.5 million in Fiscal 2017, compared to \$198.4 million in Fiscal 2016. The increase was primarily driven by an increase in net revenue and improvement in gross profit margin.

Gross profit margin was 39.8% in Fiscal 2017, compared to 36.6% in Fiscal 2016. The increase in gross profit margin was primarily attributable to lower product-related costs in addition to leverage on the fixed portion of store occupancy costs.

SG&A Expenses

SG&A expenses increased by 32.3% to \$178.8 million in Fiscal 2017, compared to \$135.1 million in Fiscal 2016.

SG&A expenses were 25.5% of net revenue in Fiscal 2017, excluding the impact of IPO costs and Secondary Offering costs of approximately \$8.6 million, compared to 24.9% of net revenue in Fiscal 2016. This increase was primarily due to investment in support office talent and higher store labour costs as we continue to focus on elevating our retail experience.

Adjusted EBITDA

Adjusted EBITDA increased by 38.5% to \$117.7 million, or 17.6% of net revenue in Fiscal 2017, compared to \$85.0 million, or 15.7% of net revenue in Fiscal 2016, primarily due to the factors discussed above.

Stock-Based Compensation Expense

Stock-based compensation of \$103.0 million was expensed in Fiscal 2017, compared to \$10.7 million in Fiscal 2016, due primarily to the accounting of time-based and performance-based options under the legacy option plan in conjunction with the IPO. In Fiscal 2017, stock-based compensation of approximately \$76.1 million was expensed primarily relating to the accounting for fair value adjustments on our time-based legacy option plan, driven by the increase in valuation of our Shares in connection with the IPO. In August 2016, we also concluded that it is probable that the performance conditions relating to our performance-based options will be achieved in connection with the IPO. As a result, we recognized stock-based compensation expense for our performance-based options in the amount of \$23.6 million in Fiscal 2017.

Finance Expense

Finance expense decreased by \$0.5 million to \$10.5 million in Fiscal 2017, compared to \$11.0 million in Fiscal 2016. Finance expense in Fiscal 2017 included the write-off of deferred financing costs of \$2.9 million relating to the amendment of our credit facilities concurrent with the closing of the IPO. Excluding the impact of the write-off of deferred financing costs, finance expense was \$7.6 million in Fiscal 2017. The decrease was primarily driven by lower average debt outstanding and lower average interest rates.

Income Tax Expense

Income taxes increased by \$17.9 million to \$30.7 million in Fiscal 2017, compared to \$12.8 million in Fiscal 2016, primarily due to the reversal of a deferred income tax asset previously recognized on stock-based

compensation liability for our legacy time-based options to income tax expense in Fiscal 2017. The remaining increase in income taxes is due to the increase in income from operations excluding stock-based compensation expense which is not deductible for tax purposes. The statutory income tax rates for Fiscal 2017 and Fiscal 2016 were 26.3% and 26.2% respectively. The effective tax rates for Fiscal 2017 and Fiscal 2016 were (121.0%) and 28.3%, respectively. The decrease in the Fiscal 2017 effective income tax rate is primarily due to stock-based compensation expense for time-based and performance-based options not being deductible for tax, resulting in an increased income tax expense over a loss before income taxes.

Net Income (Loss)

Net loss was \$56.1 million in Fiscal 2017 compared to net income of \$32.4 million in Fiscal 2016, primarily due to the factors discussed above.

Adjusted Net Income

Adjusted Net Income increased by 60.4% to \$64.6 million, or \$0.55 per diluted share in Fiscal 2017, compared to \$40.3 million, or \$0.34 per diluted share in Fiscal 2016, primarily due to the factors discussed above.

Summary of Consolidated Quarterly Results and Certain Performance Measures

The following table summarizes the results of our operations for the last eight most recently completed quarters. This unaudited quarterly information, other than comparable sales growth, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

	Fiscal 2017				Fiscal 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in thousands of Canadian dollars)								
Consolidated Statements of Operations:								
Net revenue	\$ 196,396	\$ 186,460	\$ 157,918	\$ 126,407	\$ 167,358	\$ 155,380	\$ 121,360	\$ 98,365
Gross profit	75,368	82,273	56,671	51,211	56,932	63,478	41,582	36,376
Income (loss) from operations	21,484	29,844	(80,686)	13,064	15,915	23,983	6,917	5,791
Net income (loss)	\$ 11,528	\$ (8,097)	\$ (67,288)	\$ 7,748	\$ 10,013	\$ 15,553	\$ 4,744	\$ 2,062
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	38.4%	44.1%	35.9%	40.5%	34.0%	40.9%	34.3%	37.0%
Income (loss) from operations	10.9%	16.0%	(51.1%)	10.3%	9.5%	15.4%	5.7%	5.9%
Net income (loss)	5.9%	(4.3%)	(42.6%)	6.1%	6.0%	10.0%	3.9%	2.1%
Adjusted EBITDA ⁽¹⁾	32,281	45,427	19,809	20,147	23,253	33,558	16,453	11,705
Adjusted Net Income ⁽¹⁾	18,284	27,457	9,281	9,605	11,757	18,976	6,515	3,034
Other Performance Measures:								
Comparable sales growth	11.5%	15.2%	16.9%	12.9%	9.2%	15.4%	20.8%	25.8%
Stores								
Number of stores, beginning of period	77	75	74	74	72	67	65	64
New stores	2	2	1	-	2	5	2	1
Number of stores, end of period	79	77	75	74	74	72	67	65
Stores expanded or repositioned	-	2	1	2	-	1	-	1

Note:

⁽¹⁾ See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA and Adjusted Net Income, which are non-IFRS measures. See also "Non-IFRS Measures".

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our credit facilities (defined herein), are expected to be sufficient to meet our future operating expenses, capital expenditures and future debt service requirements. Our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Summary of Factors Affecting Performance" and "Risk Factors" of this MD&A for additional information. We review investment opportunities in the normal course of our business and may make select investments to implement our business strategy when suitable opportunities arise. Historically, the funding for any such investments has come from cash flows from operating activities and/or our credit facilities.

Credit Facilities

As at February 26, 2017, the aggregate amount outstanding under our term credit facility was \$134.1 million, maturing on May 13, 2019 ("Term Credit Facility"). A \$70.0 million revolving credit facility is also available as part of this facility ("Revolving Credit Facility" and together with the Term Credit Facility, the "Credit Facilities"). No amounts were drawn on the Revolving Credit Facility as at February 26, 2017. Scheduled mandatory repayments of the Term Credit Facility will be \$15.3 million and \$19.2 million in February 2018 and February 2019, respectively, with the balance due on the maturity date of May 13, 2019. In addition, the Term Credit Facility requires mandatory loan prepayments by us of principal and interest if certain events occur. See "Contractual Obligations - Off-Balance Sheet Arrangements and Commitments" for letters of credit issued.

Concurrent with the IPO, amendments to our Credit Facilities with our syndicate of lenders became effective. Each of the Credit Facilities has various interest rate charge options that are based on Canadian prime rates, base rates and LIBOR rates plus the applicable margin from time to time in effect. The amendment included allowing us to enter into bi-lateral letters of credit agreements of up to \$75.0 million with different lenders, lowering the applicable margin on interest rates and amending other terms and conditions.

The credit agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on us and each credit facility guarantor, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, liquidate or dissolve, engage in any material business other than the fashion clothing business, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements, enter into sale-leaseback transactions, ensure pension plan compliance, sell or discount receivables, enter into agreements with unconditional purchase obligations, issue shares, create or acquire a subsidiary or make any hostile acquisitions.

On March 29, 2017, we entered into a \$50.0 million trade finance agreement for letters of credit, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.17% and 2.00%.

Cash Flows

The following table presents cash flows for the periods and fiscal years indicated.

	Q4 2017 13 weeks	Q4 2016 13 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
	(in thousands of Canadian dollars)			
Net cash generated from operating activities	\$ 30,176	\$ 9,156	\$ 112,102	\$ 57,621
Net cash generated from (used in) financing activities	1,785	(11,321)	(5,060)	(33,096)
Net cash used in investing activities	(11,610)	(6,685)	(31,136)	(28,183)
Effect of exchange rate changes on cash and cash equivalents	(223)	(102)	35	21
Increase (decrease) in cash and cash equivalents	\$ 20,128	\$ (8,952)	\$ 75,941	\$ (3,637)

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2017

Cash Flows Generated from Operating Activities

For Q4 2017, cash flows generated from operating activities totalled \$30.2 million, compared to \$9.2 million in Q4 2016. This increase was primarily attributable to higher Adjusted Net Income, a lower use of working capital due to the timing of certain payments and a reduction in the amount of interest paid, offset by higher income tax payments made.

For Fiscal 2017, cash flows generated from operating activities totalled \$112.1 million, compared to \$57.6 million for Fiscal 2016. This increase was primarily due to higher Adjusted Net Income and a lower use of working capital due to the timing of certain payments and increased volume in deferred revenue.

Cash Flows Generated From (Used in) Financing Activities

For Q4 2017, cash flows generated from financing activities totalled \$1.8 million, compared to cash flows of \$11.3 million used in Q4 2016. This change was primarily due to repayments on our Credit Facilities made in Q4 2016, offset by net proceeds received from options exercised in Q4 2017.

For Fiscal 2017, cash flows used in financing activities totalled \$5.1 million, compared to \$33.1 million in Fiscal 2016. This decrease was primarily due to lower net repayments on our Credit Facilities and net proceeds received from options exercised in Fiscal 2017.

Cash Flows Used in Investing Activities

For Q4 2017, cash flows used in investing activities totalled \$11.6 million, compared to \$6.7 million in Q4 2016. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions.

For Fiscal 2017, cash flows used in investing activities totalled \$31.1 million, compared to \$28.2 million in Fiscal 2016. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 26, 2017.

	Less than 1 year	1 to 5 years	More than 5 years	Total
(in thousands of Canadian dollars)				
Accounts payable and accrued liabilities	\$ 50,484	\$ -	\$ -	\$ 50,484
Finance lease obligations	766	983	-	1,749
Assumed interest on long-term debt ⁽¹⁾	3,937	4,125	-	8,062
Debt ⁽²⁾	15,321	118,738	-	134,059
Total contractual obligations	\$ 70,508	\$ 123,846	\$ -	\$ 194,354

Notes:

⁽¹⁾ Based on interest rate in effect as at February 26, 2017.

⁽²⁾ The term loan requires mandatory loan prepayments by Aritzia of principal and interest if certain events occur.

Off-Balance Sheet Arrangements and Commitments

The following table summarizes our off-balance sheet arrangements and commitments as at February 26, 2017.

	Less than 1 year	1 to 5 years (in thousands of Canadian dollars)	More than 5 years	Total
Operating leases	\$ 71,524	\$ 312,995	\$ 324,786	709,305
Purchase obligations	24,790	-	-	24,790
	<u>\$ 96,314</u>	<u>\$ 312,995</u>	<u>\$ 324,786</u>	<u>734,095</u>

Operating leases for certain of our premises include renewal options, rent escalation clauses and free-rent periods. The operating lease commitment reflects minimum annual commitments for our operating leases for our premises (excluding other occupancy charges and additional rent based on a percentage of revenue).

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 26, 2017, we had \$24.8 million of raw materials not already included for use in purchase orders.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at February 26, 2017, letters of credit totalling \$19.3 million have been issued.

Other than those items disclosed here and elsewhere in this MD&A and our consolidated financial statements, we do not have any material off-balance sheet arrangements or commitments as at February 26, 2017.

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. We currently do not apply hedge accounting. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities, depending on whether they represent assets or liabilities to us. Changes in the fair value of foreign currency forward contracts are recorded in net income (loss). As at February 26, 2017, we had approximately \$27.5 million of U.S. dollar denominated forward contracts outstanding at an average forward rate of 1.3026.

Related Party Transactions

Berkshire Partners LLC ("Berkshire") is the investment manager to private equity funds that indirectly hold an ultimate controlling interest in the Company. Berkshire provided consulting and management advisory services to us pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, we terminated the Management Agreement with Berkshire.

During the years ended February 26, 2017 and February 28, 2016, we incurred management fees of \$0.2 million and \$0.3 million, respectively, for services rendered. Total reimbursements to Berkshire for travel, lodging and other costs for the years ended February 26, 2017 and February 28, 2016 were \$0.2 million and \$0.1 million, respectively. At February 26, 2017 and February 28, 2016, \$nil and \$0.1 million, respectively, was included in accounts payable and accrued liabilities.

In connection with the IPO and Secondary Offering, we reimbursed in aggregate \$1.4 million in professional fees and other costs to the principal selling shareholders. At February 26, 2017, \$0.9 million was included in accounts payable and accrued liabilities.

During the years ended February 26, 2017 and February 28, 2016, we purchased \$10.8 million and \$7.7 million, respectively, of merchandise from a company partially owned by private equity funds managed by Berkshire. As at February 26, 2017 and February 28, 2016, \$0.1 million and \$0.2 million, respectively, was included in accounts payable and accrued liabilities.

Transactions with Key Management

Key management includes our directors and executive team. Compensation awarded to key management includes:

	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
Salaries, directors' fees and short-term benefits	\$ 3,084	\$ 3,017
Stock-based compensation expense ⁽¹⁾	14,781	202
	<u>\$ 17,865</u>	<u>\$ 3,219</u>

Note:
⁽¹⁾ Stock-based compensation expense for the 52-week period ended February 26, 2017 includes stock-based compensation expense for our legacy time-based and legacy performance-based options, plus stock-based compensation expense for our time-based options under our new stock option plan.

Subsequent Event

Subsequent to year-end, we opened a flagship store in Century City Westfield in Los Angeles, our first location in Southern California, and our sixth Wilfred banner store in Square One Shopping Centre in Toronto. We also repositioned our Richmond Centre location in Greater Vancouver. In addition, Oliver Walsh, who was Chief Marketing Officer, departed the Company to move onto his next endeavor.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The following discusses the most significant accounting judgments and estimates made by management in preparation of the consolidated financial statements:

Valuation of Finished Goods Inventory

Inventory, consisting of finished goods, is stated at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver the inventory to our distribution centres including freight and duty.

We periodically review our inventories and make provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, we accrue for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The

recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

For the purposes of assessing impairment, assets are grouped at the lowest levels where there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Stock-Based Compensation Expense

Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model. The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option. Judgment is also required in determining the timing of expense recognition for performance-based options.

Income Tax Expense

Income tax expense requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions.

Significant New Accounting Standards Adopted

- In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. We adopted IAS 1 on our consolidated financial statements during the fiscal year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

Significant New Accounting Standards Issued But Not Yet Adopted

- In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. We are currently evaluating the impact of IFRS 15 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.
- In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. We are currently evaluating the impact of IFRS 9 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.
- In January 2016, the IASB issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While we are currently evaluating the impact that

this new guidance will have on our consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on our consolidated statements of financial position upon adoption. As a result, we expect IFRS 16 to have a fundamental change to our consolidated statements of financial position. We expect to apply the standard in accordance with its future mandatory effective date.

- In June 2016, the IASB issued amendments to IFRS 2, "Share-based Payment", clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with early application permitted. We are currently evaluating the impact of IFRS 2 on our consolidated financial statements and we expect to apply the standard in accordance with its future mandatory effective date.

Outlook

The first quarter of fiscal 2018 is off to a strong start with the Spring and Summer collections being well-received by our customers, putting us on track for our 11th consecutive quarter of positive comparable sales growth.

In April, we opened a flagship store in Century City Westfield in Los Angeles, our first location in Southern California, and our sixth Wilfred banner store in Square One Shopping Centre in Toronto. We also repositioned our Richmond Centre location in Greater Vancouver at the end of April. In addition, we plan to open three to four new stores and expand or reposition five to six existing locations in the remainder of fiscal 2018. This includes the opening of a flagship store on Rush Street in Chicago and the repositioning of an existing San Francisco location into a flagship store on Market Street. We continue to see strong momentum online and are expecting meaningful growth in our eCommerce business in fiscal 2018. This planned increase in our store footprint and anticipated growth in eCommerce will keep us on track with the growth objectives outlined in our five-year plan.

In fiscal 2018, we continue to make strategic investments in the business. The implementation of a new point-of-sale (POS) system is expected to further enhance our omni-channel operations and customer relationship capabilities. In April, we expanded our Columbus area distribution centre capacity from 45,000 square feet to 138,000 square feet. We have also begun the process of relocating and expanding our Greater Vancouver distribution centre, from our existing 83,000 square foot facility into a new 223,000 square foot facility. We expect the new Greater Vancouver distribution centre to be operational by Spring of next year. These investments in systems and infrastructure are expected to drive increased efficiencies and set the stage for our next phase of growth.

The aforementioned description of our potential growth opportunities is based on management's current strategies, our assumptions and expectations concerning our growth outlook and opportunities, and our assessment of the outlook and opportunities for the business and the apparel industry as a whole and may be considered to be forward-looking information for purposes of applicable securities laws in Canada. Readers are cautioned that actual results may vary from those described above. See below and "Forward-Looking Information" and "Risk Factors" in the MD&A and the Company's AIF for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact our business and that could cause actual results to vary.

Implicit in such forward-looking statements are certain assumptions, relating to, among others, the opening of new stores, the expansion or repositioning of existing stores, the achievement of continued comparable sales growth, including growing our eCommerce business, investment on maintenance capital expenditures and infrastructure investments, a U.S. dollar to Canadian dollar exchange rate of 1:1.3, taxation rates consistent with historical levels and debt repayments consistent with the terms set out in the MD&A. These current assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated annual net revenue, eCommerce net revenue, Adjusted EBITDA and Adjusted Net Income, are subject to a number of risks and uncertainties, including, among others, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk of unseasonal weather patterns and the risk that we may not continue to achieve comparable sales growth.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at www.sedar.com.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Financial risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board regarding the adequacy of our risk management policies and procedures with regard to identification of the Company's principal risks, and implementation of appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign Exchange Risk

We source the majority of our raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. Our foreign exchange risk is primarily with respect to the U.S. dollar but we have limited exposure to other currencies as well. We use foreign exchange forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. During the period, we had only variable interest rate debt.

Credit Risk

Credit risk refers to the possibility that we can suffer financial losses due to the failure of our counterparties to meet their payment obligations. We are exposed to minimal credit risk. We do not extend credit to customers, but do have some receivable exposure in relation to tenant improvement allowances. In order to reduce this risk, we enter into leases with landlords with established credit history, and for certain leases, we may offset rent payments until accounts receivable are fully satisfied. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We only enter into derivative contracts with major financial institutions, as described above, for the purchase of foreign currency forward contracts.

Liquidity risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenue, income and working capital needs. The Revolving Credit Facility is used to maintain liquidity.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding public disclosure.

As of February 26, 2017, an evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, was

carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design and operation of these controls were effective as of February 26, 2017. Although the Company's disclosure controls and procedures were operating effectively as of February 26, 2017, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's regulatory filings.

Internal Controls over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of February 26, 2017. Based on that evaluation, the CEO and the CFO concluded that the design and operation of the Company's internal control over financial reporting, as defined by National Instrument 52-109, were effective. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Controls systems, no matter how well designed, have inherent limitations. Therefore, even when determined to be designed effectively, disclosure controls and internal control over financial reporting can provide only reasonable assurance with respect to disclosure, reporting and financial statement preparation.

Share Information Prior to the Completion of the IPO

Prior to the completion of the IPO, we had an unlimited authorized number of Class A, B, C and D common shares, with no par value. The Class A, B, C and D common shares were identical, except for an additional 0.001% voting right attached to each Class B common share and no voting right attached to each Class D common share. The Class A, B, C and D common shares ranked *pari passu* in all respects, including the right to receive dividends and upon any distribution of our assets.

Prior to the completion of the IPO, we had 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding. In addition, there were 28,692,457 options (after giving effect to the cancellation of 898,625 options upon closing), each exercisable for one common share, issued and outstanding. Assuming exercise of all outstanding options, there would have been 202,461,408 common shares issued and outstanding on a fully diluted basis.

Current Share Information

As of May 9, 2017, an aggregate of 53,208,701 Shares, 55,756,002 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by the principal shareholders. As of May 9, 2017, an aggregate of 14,341,152 options to acquire Shares are outstanding.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at www.sedar.com. The Company's Shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ATZ".



Aritzia Inc.

Consolidated Financial Statements
February 26, 2017 and February 28, 2016
(in thousands of Canadian dollars)



May 10, 2017

Independent Auditor's Report

To the Shareholders of Aritzia Inc.

We have audited the accompanying consolidated financial statements of Aritzia Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at February 26, 2017 and February 28, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aritzia Inc. and its subsidiaries as at February 26, 2017 and February 28, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Aritzia Inc.
Consolidated Statements of Financial Position
As at February 26, 2017 and February 28, 2016

(in thousands of Canadian dollars)

	Note	February 26, 2017	February 28, 2016
Assets			
Current assets			
Cash and cash equivalents		\$ 79,527	\$ 3,586
Accounts receivable		2,624	3,600
Income taxes recoverable		-	726
Prepaid expenses and other current assets		12,743	10,245
Inventory	5	74,184	77,331
Total current assets		169,078	95,488
Property and equipment	6	95,695	81,490
Intangible assets	7	58,484	58,522
Goodwill	7	151,682	151,682
Other assets		2,052	4,892
Deferred tax assets	16	9,854	9,044
Total assets		\$ 486,845	\$ 401,118
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 50,484	\$ 33,157
Income taxes payable		19,222	11,769
Current portion of lease obligations	6	766	707
Current portion of long-term debt	10	15,288	11,348
Deferred revenue		15,749	10,170
Total current liabilities		101,509	67,151
Other non-current liabilities	9	47,711	74,948
Deferred tax liabilities	16	16,555	12,174
Lease obligations	6	983	1,774
Long-term debt	10	118,479	132,389
Total liabilities		285,237	288,436
Shareholders' equity			
Share capital	12	131,853	75,371
Contributed surplus		88,612	-
Retained earnings (deficit)		(18,480)	37,629
Accumulated other comprehensive loss		(377)	(318)
Total shareholders' equity		201,608	112,682
Total liabilities and shareholders' equity		\$ 486,845	\$ 401,118
Commitments and contingencies (note 18)			
Subsequent events (note 10)			

Approved by the Board of Directors

Brian Hill

Director

Marni Payne

Director

The accompanying notes are an integral part of these consolidated financial statements.

Aritzia Inc.

Consolidated Statements of Operations

For the years ended February 26, 2017 and February 28, 2016

(in thousands of Canadian dollars, except number of shares and per share amounts)

	Note	February 26, 2017	February 28, 2016
Net revenue		\$ 667,181	\$ 542,463
Cost of goods sold	15	<u>401,658</u>	<u>344,095</u>
Gross profit		265,523	198,368
Operating expenses			
Selling, general and administrative		178,773	135,111
Stock-based compensation expense	13, 15	<u>103,044</u>	<u>10,651</u>
Income (loss) from operations		(16,294)	52,606
Finance expense	15	10,455	10,995
Other income, net		<u>(1,362)</u>	<u>(3,512)</u>
Income (loss) before income taxes		(25,387)	45,123
Income tax expense	16	<u>30,722</u>	<u>12,751</u>
Net income (loss)		<u>\$ (56,109)</u>	<u>\$ 32,372</u>
Net income (loss) per share			
Basic	14	\$ (0.54)	\$ 0.31
Diluted	14	<u>(0.54)</u>	<u>0.31</u>
Weighted average number of shares outstanding (thousands)			
Basic	14	104,787	103,046
Diluted	14	<u>104,787</u>	<u>103,046</u>

The accompanying notes are an integral part of these consolidated financial statements.

Aritzia Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended February 26, 2017 and February 28, 2016

(in thousands of Canadian dollars)

	February 26, 2017	February 28, 2016
Net income (loss)	\$ (56,109)	\$ 32,372
Other comprehensive income (loss)		
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation adjustment	(59)	9
Comprehensive income (loss)	<u>\$ (56,168)</u>	<u>\$ 32,381</u>

The accompanying notes are an integral part of these consolidated financial statements.

Aritzia Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended February 26, 2017 and February 28, 2016

(in thousands of Canadian dollars, except number of shares)

	Class A common shares			Class C common shares			Multiple voting shares		Subordinate voting shares		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amounts		Shares	Amounts		Shares	Amounts	Shares	Amounts				
Balance, March 1, 2015	110,996,171	\$ 66,517		62,781,263	\$ 8,864		-	\$ -	-	\$ -	-	\$ 5,257	\$ (327)	\$ 80,311
Net income	-	-		-	-		-	-	-	-	-	-	-	-
Share repurchase	(8,483)	(10)		-	-		-	-	-	-	-	-	-	32,372
Foreign currency translation adjustment	-	-		-	-		-	-	-	-	-	-	9	(10)
Balance, February 28, 2016	110,987,688	\$ 66,507		62,781,263	\$ 8,864		-	\$ -	-	\$ -	-	\$ 37,629	\$ (318)	\$ 112,682
Net loss	-	-		-	-		-	-	-	-	-	-	-	-
Share exchange pre-IPO (note 12)	-	-		-	-		-	-	-	-	-	-	-	(56,109)
Share consolidation (note 12)	(110,987,688)	(66,507)		(62,781,263)	(8,864)		168,715,036	72,343	5,053,915	3,028	-	-	-	-
Stock-based compensation liability modification to equity (note 13)	-	-		-	-		(68,638,488)	-	(2,056,089)	-	-	-	-	-
Options exercised (note 13)	-	-		-	-		-	-	-	-	107,215	-	-	107,215
Share exchange at IPO (note 12)	-	-		-	-		(24,880,069)	-	5,698,087	56,482	(48,536)	-	-	7,946
Share exchange at Secondary Offering (note 12)	-	-		-	-		(19,440,477)	-	24,880,069	-	-	-	-	-
Stock-based compensation expense (note 13)	-	-		-	-		-	-	19,440,477	-	-	-	-	-
Foreign currency translation adjustment	-	-		-	-		-	-	-	-	29,933	-	(59)	29,933
Balance, February 26, 2017	-	\$ -		-	\$ -		55,756,002	\$ 72,343	53,016,459	\$ 59,510	\$ 88,612	\$ (18,480)	\$ (377)	\$ 201,608

The accompanying notes are an integral part of these consolidated financial statements.

Aritzia Inc.

Consolidated Statements of Cash Flows

For the years ended February 26, 2017 and February 28, 2016

(in thousands of Canadian dollars)

	Note	February 26, 2017	February 28, 2016
Operating activities			
Net income (loss) for the year		\$ (56,109)	\$ 32,372
Adjustments for:			
Depreciation and amortization		21,129	18,200
Finance expense		10,455	10,995
Stock-based compensation expense	13, 15	103,044	10,651
Amortization of deferred rent		2,866	5,818
Proceeds from deferred lease inducements		8,064	4,597
Amortization of deferred lease inducements		(2,517)	(1,902)
Unrealized foreign exchange gain on forward contracts	11	(181)	-
Income tax expense	16	30,722	12,751
Cash generated before non-cash working capital balances and interest and income taxes		117,473	93,482
Net change in non-cash working capital balances	20	20,814	(11,654)
Cash generated before interest and income taxes		138,287	81,828
Interest paid		(6,958)	(9,715)
Income taxes paid		(19,227)	(14,492)
Net cash generated from operating activities		112,102	57,621
Financing activities			
Net repayment of bank indebtedness	10	-	(16,000)
Repayment of long-term debt	10	(11,491)	(13,668)
Repayment of lease obligations	6	(755)	(269)
Payment of financing fees	10	(827)	(2,667)
Net proceeds from options exercised	13	8,013	-
Settlement of stock options		-	(492)
Net cash used in financing activities		(5,060)	(33,096)
Investing activities			
Purchase of property and equipment	6	(29,807)	(28,016)
Purchase of intangible assets	7	(1,329)	(167)
Net cash used in investing activities		(31,136)	(28,183)
Effect of exchange rate changes on cash and cash equivalents		35	21
Increase (decrease) in cash and cash equivalents		75,941	(3,637)
Cash and cash equivalents - Beginning of year		3,586	7,223
Cash and cash equivalents - End of year		\$ 79,527	\$ 3,586
Supplemental cash flow information (note 20)			

The accompanying notes are an integral part of these consolidated financial statements.

Aritzia Inc.
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(in thousands of Canadian dollars, unless otherwise noted)

1 Nature of operations and basis of presentation

a) Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the "Company") is a design house and fashion retailer. The Company designs apparel and accessories for its collection of exclusive brands and sells them under the Aritzia banner. The Company's range of women's fashion apparel and accessories addresses a range of style preferences and lifestyle requirements. There were 79 and 74 retail stores as at February 26, 2017 and February 28, 2016, respectively.

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada, V6C 2X8. On August 10, 2016, the Company changed its name from Aritzia Capital Corporation to Aritzia Inc.

On October 3, 2016, the Company completed an initial public offering (the "IPO") of its subordinate voting shares through a secondary sale of shares by its principal shareholders.

The IPO of 25,000,000 subordinate voting shares at \$16.00 per subordinate voting share raised gross proceeds of \$400.0 million for the selling shareholders. In addition, such shareholders of the Company granted the underwriters an over-allotment option to purchase from the selling shareholders an additional 3,750,000 subordinate voting shares at an exercise price of \$16.00 per subordinate voting share. The over-allotment option was fully exercised after the IPO and raised additional gross proceeds of \$60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders, and other expenses related to the IPO of approximately \$7.7 million were incurred and are being paid by the Company.

On January 26, 2017, the Company completed a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain shareholders, as well as a concurrent block trade by a group of employees of the Company (the "Concurrent Block Trade").

The Secondary Offering of 20,100,000 subordinate voting shares and the sale of 1,788,366 subordinate voting shares through the Concurrent Block Trade raised gross proceeds of \$382.0 million for the selling shareholders, at a price of \$17.45 per subordinate voting share. Underwriting fees were paid by the selling shareholders, and other expenses related to the Secondary Offering of approximately \$0.9 million were incurred and are being paid by the Company.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "ATZ".

b) Basis of preparation

The accompanying consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, except

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for derivative instruments, the cash-settled legacy option plan and Deferred Share Units ("DSUs") as disclosed in the accounting policies set out in note 2.

The Company's fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year, which last occurred in fiscal 2013. All references to 2017 and 2016 represent the fiscal years ended February 26, 2017 and February 28, 2016, respectively.

These consolidated financial statements were authorized for issue by the Board of Directors on May 10, 2017.

c) Seasonality of operations

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the third and fourth fiscal quarters of each year as a result of increased net revenue during the back-to-school and holiday season.

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Aritzia LP and United States of Aritzia Inc. All intercompany transactions and balances are eliminated on consolidation, and consistent accounting policies are applied across the Company.

Functional and presentation currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

U.S. operations

Assets and liabilities of the Company's U.S. operations have a functional currency of U.S. dollars and are translated into Canadian dollars at the exchange rate in effect at the reporting date. Revenues and expenses are translated into Canadian dollars at average exchange rates during the reporting period. The resulting unrealized translation gains or losses are included in other comprehensive income (loss).

Translation of other foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currencies at the exchange rate at that date. Other statement of financial position items denominated in foreign currencies are translated into the functional currencies at the exchange rate

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prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into the functional currencies at average exchange rates during the period. The resulting gains or losses on translation are included in the determination of net income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and term deposits with an original maturity of less than three months. At February 26, 2017, the Company had \$68.8 million in cash held in term deposits classified as cash equivalents (February 28, 2016 - \$nil).

Accounts receivable

Accounts receivable primarily comprise landlord lease inducement receivables and duty drawback receivables from the relevant governmental authorities. The Company records a landlord lease inducement receivable when the Company has fulfilled certain requirements under the lease agreement to be eligible to receive cash. An allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered. At February 26, 2017 and February 28, 2016, the Company recorded no allowance for doubtful accounts.

Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise prepaid expenses, deposits and packaging supplies.

Inventory

Inventory, consisting of finished goods, is stated at lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres including freight and duty.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, the Company accrues for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Company capitalizes borrowing costs incurred as part of the financing of the acquisition and construction of property and equipment. Maintenance and repairs are expensed as incurred. Cost and

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related accumulated depreciation for property and equipment are removed from the accounts upon their sale or disposition and the resulting gain or loss is reflected in the results of operations.

Depreciation is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, commencing when the assets are ready for use, as follows:

Computer hardware and software	3 - 10 years
Furniture and equipment	3 - 10 years
Leasehold improvements	shorter of lease term and estimated useful life

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Depreciation expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expense.

Intangible assets

Intangible assets are recorded at cost and include trade names, trademarks, non-competition agreements, retail leases and internally developed computer software.

Significant costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset.

The Company capitalizes, in intangible assets, direct costs incurred during the application and infrastructure development stages of developing computer software for internal use. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives, are expensed as incurred.

The Aritzia trade name has been determined to have an indefinite life and is not amortized. The remaining intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Other trade names and trademarks	term of registration or up to a maximum of 20 years
Retail leases included in other intangibles	term of lease
Computer software	3 - 7 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Amortization expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expense.

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Goodwill

Goodwill represents non-identifiable intangible assets acquired on business combinations.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or "CGU"). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms, which are accounted for as operating leases. Operating leases are recorded on a straight-line basis over the term of the lease beginning on the possession date. Accordingly, reasonably assured rent escalations are amortized over the lease term, and free-rent periods are allocated to a portion of rent expense. The difference between the recognized rental expense and the total rental payments is reflected in the consolidated statements of financial position as a deferred lease liability. Contingent rental payments based on sales volumes are recorded in the period in which the sales occur.

Tenant allowances are recorded as deferred lease credits on the consolidated statements of financial position and amortized as a reduction of rent expense over the term of the respective leases.

Finance leases

Finance leases are capitalized at the commencement of the lease at the inception-date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expense in the consolidated statements of operations. An asset under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

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Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company may be required to settle. The Company's asset retirement obligations are primarily associated with leasehold improvements that the Company is contractually obligated to remove at the end of a lease. At inception of a lease with such conditions, the Company recognizes the best estimate of the fair value of the liability, with a corresponding increase in the carrying value of the related asset. The liability, recorded in other non-current liabilities, is estimated based on a number of assumptions requiring management's judgment, including store closing costs, cost inflation rates and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated over its useful life. Upon satisfaction of the asset retirement obligation conditions, differences between the recorded asset retirement obligation liability and the actual retirement costs incurred are recognized as a gain or loss in the consolidated statements of operations.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Financial instruments upon initial recognition are measured at fair value and classified as financial assets or liabilities at fair value through profit or loss ("FVTPL"), loans and receivables, other financial liabilities or as derivative instruments. Loans and receivables and other financial liabilities are measured at amortized cost and derivative instruments are measured at FVTPL. The following classifications have been applied:

- cash and cash equivalents and accounts receivable are classified as loans and receivables;
- bank indebtedness, accounts payable and accrued liabilities, lease obligations and long-term debt are classified as other financial liabilities; and
- foreign currency forward contracts are classified as financial assets or financial liabilities at FVTPL.

Bank indebtedness and long-term debt are initially recognized at fair value, net of recognized transaction costs, and subsequently measured at amortized cost, being the carrying value. Any difference between the carrying value and the redemption value is recognized in the consolidated statements of operations using the effective interest rate method.

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Financial assets and liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions using the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital

Multiple voting shares and subordinate voting shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax, from the proceeds of the issuance. When share capital recognized as equity is re-purchased for cancellation, the amount of consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

Revenue recognition

Revenue is recognized at the time merchandise is received by the customer. Sales to customers through the Company's retail stores are recognized at the point-of-sale, net of an estimated allowance for returns. eCommerce sales are recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns. Amounts related to shipping and handling that are billed to customers are recorded in net revenue with the related costs recorded in cost of goods sold. Revenues are reported net of sales taxes collected from various governmental agencies.

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Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the Company recognizes the related revenue. The Company estimates gift card breakage, and to the extent management determines there is no requirement for remitting card balances to government agencies under unclaimed property laws, recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

The Company recognizes promotional gift cards as a reduction of revenue upon redemption.

Cost of goods sold

Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for the Company's stores and distribution centres.

Selling, general and administrative

Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues and general and administrative operating expenses that are primarily fixed. Selling, general and administrative expenses also include depreciation and amortization expense for all support office assets and intangible assets.

Store opening costs

Store opening costs are expensed as incurred.

Employee benefits

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses, are expensed as the related service is provided.

Termination benefits are recognized as an expense when the Company has demonstrated commitment, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Income tax expense

Current and deferred income taxes are recognized in the Company's net income (loss), except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable income or loss. In addition, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liability, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Stock-based compensation expense

Stock Option Plans

The Company has a legacy Equity Incentive Plan (the "Legacy Plan") pursuant to which it has granted time-based and performance-based stock options to directors, employees, consultants and advisors. Concurrent with the IPO, the Company amended and restated the Legacy Plan to comply with public company provisions as required by the Toronto Stock Exchange. The Company also implemented a new stock option plan (the "2016 Option Plan"), pursuant to which it can grant time-based stock options to acquire subordinate voting shares to directors, executive officers, employees and consultants.

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan.

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Prior to the IPO, as a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. The liability was adjusted each reporting period for changes in the fair value of the options, with the corresponding amount reflected in the consolidated statements of operations. The fair value of the liability was determined using the Black-Scholes option pricing model.

The Company had both time-based and performance-based options prior to the IPO. After the IPO, the Company has only time-based options. For awards with service conditions that are subject to graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition, the total amount of compensation expense to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance conditions will be achieved. The Company reassesses the probability of achieving the performance conditions at each reporting date.

Deferred Share Units

In conjunction with the IPO, the Company adopted the Director Deferred Share Unit Program for non-employee board members. DSUs are grants of notional subordinate voting shares that are redeemable for cash based on the market value of the Company's subordinate voting shares and are non-dilutive to shareholders. The cost of the service received as consideration is initially measured based on the market value of the Company's shares at the date of grant. The grant-date fair value is recognized as stock-based compensation expense over the vesting period with a corresponding increase recorded in other liabilities. Deferred share units are remeasured at each reporting date based on the market value of the Company's subordinate voting shares with changes in fair value recognized as stock-based compensation expense for the proportion of the service that has been rendered at that date.

Net income (loss) per share

Basic net income (loss) per share is calculated by dividing the net income (loss) for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year.

In calculating net income (loss) per diluted share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Net income (loss) per diluted share, assuming cash settlement, is calculated consistent with basic net income (loss) per share, as the accounting for the liability is based on the fair value alternative and cash settlement would not result in the issuance of additional equity instruments. Net income (loss) per diluted share, assuming equity settlement, is calculated for dilutive share options by adjusting the numerator to reflect what income would have been if the grant date fair value was reflected in net income and by adjusting the denominator by the weighted average number of shares that would be included under the treasury stock method.

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3 Significant new accounting standards

Standards recently adopted

In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company adopted IAS 1 for its consolidated financial statements during the year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

Standards issued but not yet adopted

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statements of financial position upon adoption. As a result, the Company expects IFRS 16 to have a fundamental change to the

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consolidated statements of financial position. The Company expects to apply the standard in accordance with its future mandatory effective date.

In June 2016, the IASB issued amendments to IFRS 2, "Share-based Payment", clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of IFRS 2 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments and estimates made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- The provision recorded to remeasure inventories based on the lower of cost and net realizable value (note 5), which is a critical estimate.
- Impairment of assets, which is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses, if any (note 6). These estimates include future cash flow projections, growth rates and discount rates.
- Goodwill and indefinite life intangible asset impairment testing, which requires management to make critical estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates (note 7).
- Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model (note 13). The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option. Judgment is also required in determining the timing of expense recognition for performance-based options.

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- Income taxes, which requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (note 16).

5 Inventory

	February 26, 2017	February 28, 2016
Finished goods	\$ 68,620	\$ 68,287
Finished goods in transit	5,564	9,044
	<u>\$ 74,184</u>	<u>\$ 77,331</u>

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of \$2.6 million and \$1.1 million for the years ended February 26, 2017 and February 28, 2016, respectively.

All of the Company's inventory is pledged as security for the Credit Facilities (note 10).

6 Property and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware	Computer software	Construction- in- progress	Total
Cost						
Balance, March 1, 2015	\$ 91,570	\$ 19,992	\$ 16,303	\$ 5,068	\$ 4,909	\$ 137,842
Additions	21,706	5,392	1,547	1,351	925	30,921
Transfers from construction- in-progress	1,300	96	369	6	(1,771)	-
Foreign exchange	2,403	519	147	85	14	3,168
Balance, February 28, 2016	116,979	25,999	18,366	6,510	4,077	171,931
Additions	15,339	4,920	1,479	919	11,323	33,980
Transfers from construction- in-progress	595	173	4	35	(807)	-
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(1,558)	(239)	(592)	688	(111)	(1,812)
Balance, February 26, 2017	\$ 131,305	\$ 30,837	\$ 10,122	\$ 8,128	\$ 14,482	\$ 194,874
Accumulated depreciation						
Balance, March 1, 2015	\$ 44,830	\$ 12,817	\$ 13,032	\$ 3,269	\$ -	\$ 73,948
Depreciation	9,447	2,517	1,616	1,273	-	14,853
Foreign exchange	1,148	342	120	30	-	1,640
Balance, February 28, 2016	55,425	15,676	14,768	4,572	-	90,441
Depreciation	12,856	3,211	1,652	1,219	-	18,938
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(859)	(155)	(75)	114	-	(975)
Balance, February 26, 2017	\$ 67,372	\$ 18,716	\$ 7,210	\$ 5,881	\$ -	\$ 99,179
Net carrying value						
Balance, February 26, 2017	\$ 63,933	\$ 12,121	\$ 2,912	\$ 2,247	\$ 14,482	\$ 95,695
Balance, February 28, 2016	61,554	10,323	3,598	1,938	4,077	81,490

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Construction-in-progress includes store build costs for stores not yet opened and support office projects not available for use.

During the years ended February 26, 2017 and February 28, 2016, interest of \$208 and \$18, respectively, was capitalized to assets under construction. These interest costs relating to qualifying assets were capitalized at a weighted average rate of 3.97% and 4.93% for the years ended February 26, 2017 and February 28, 2016, respectively.

As at February 26, 2017 and February 28, 2016, an amount of \$2.8 million and \$2.8 million, respectively, of the furniture and equipment, computer hardware and computer software was held under finance leases. Accumulated depreciation relating to this property and equipment amounted to \$1.5 million at February 26, 2017 (February 28, 2016 - \$0.7 million).

Minimum annual payments for the Company's finance lease obligations are as follows:

2018	\$	827
2019		784
2020		227
Thereafter		-
Total minimum lease payments		1,838
Less: amount representing interest		(89)
	\$	1,749

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7 Goodwill and intangible assets

	Indefinite life trade name	Definite life trade name	Trademarks	Computer software	Other intangible assets	Total intangible assets	Goodwill
Cost							
Balance, March 1, 2015	\$ 46,092	\$ 17,175	\$ 1,709	\$ 19,897	\$ 7,973	\$ 92,846	\$ 151,682
Additions	-	-	-	2	-	2	-
Dispositions	-	-	-	(65)	(4,454)	(4,519)	-
Balance, February 28, 2016	46,092	17,175	1,709	19,834	3,519	88,329	151,682
Additions	-	-	-	2,076	-	2,076	-
Balance, February 26, 2017	\$ 46,092	\$ 17,175	\$ 1,709	\$ 21,910	\$ 3,519	\$ 90,405	\$ 151,682
Accumulated amortization							
Balance, March 1, 2015	\$ -	\$ 8,082	\$ 1,709	\$ 13,538	\$ 7,650	\$ 30,979	\$ -
Amortization	-	782	-	2,215	323	3,320	-
Dispositions	-	-	-	(38)	(4,454)	(4,492)	-
Balance, February 28, 2016	-	8,864	1,709	15,715	3,519	29,807	-
Amortization	-	719	-	1,395	-	2,114	-
Balance, February 26, 2017	\$ -	\$ 9,583	\$ 1,709	\$ 17,110	\$ 3,519	\$ 31,921	\$ -
Net carrying value							
Balance, February 26, 2017	\$ 46,092	\$ 7,592	\$ -	\$ 4,800	\$ -	\$ 58,484	\$ 151,682
Balance, February 28, 2016	46,092	8,311	-	4,119	-	58,522	151,682

Until December 19, 2005, the operations of the Company were owned by a private, closely held Canadian company. On December 19, 2005, a company owned by funds managed by Berkshire Partners LLC ("Berkshire") purchased the majority of the operations through a newly created company, Aritzia Capital Corporation. The acquisition transaction was treated as a business combination and the identified assets and liabilities that were acquired were measured at their acquisition date fair values, including goodwill and the indefinite life trade name.

Goodwill and the indefinite life trade name are monitored and allocated to the group of CGUs at a country level, based on the expected future benefits to be derived.

In assessing goodwill and the indefinite life trade name for impairment, the Company compared the aggregate recoverable amount of the assets included in each of the CGUs to their respective carrying amounts. The recoverable amounts have been determined based on the higher of the value in use and fair value less costs of disposal. The Company performed its annual impairment test of goodwill and the indefinite life trade name on the first day of the fourth quarter in fiscal 2017 and fiscal 2016.

The recoverable amount of goodwill and the indefinite life trade name was based on value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the CGUs. Cash flows were projected based on actual operating results and growth assumptions of 2.00% to account for what management believes approximates inflationary increases. A pre-tax discount rate of 15.81% was used in the model.

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As at February 26, 2017 and February 28, 2016, management has determined that there was no impairment of goodwill or the indefinite life trade name.

8 Accounts payable and accrued liabilities

	February 26, 2017	February 28, 2016
Trade accounts payable	\$ 30,028	\$ 18,122
Other non-trade payables	6,182	4,820
Employee benefits payable	14,274	10,215
	<u>\$ 50,484</u>	<u>\$ 33,157</u>

9 Other non-current liabilities

	February 26, 2017	February 28, 2016
Deferred lease liability	\$ 29,970	\$ 27,757
Deferred lease inducements	16,675	12,023
Asset retirement obligations	889	953
Director Deferred Share Unit Program liability (note 13)	177	-
Stock-based compensation relating to Legacy Plan (note 13)	-	34,215
	<u>\$ 47,711</u>	<u>\$ 74,948</u>

10 Bank indebtedness and long-term debt

On May 13, 2015, the Company finalized an amendment to its credit facilities. The amendments included extending the maturity date from May 2016 to May 2019, transferring the term loan of \$153.2 million to a revised banking syndicate, increasing the credit facility available for operations to \$70.0 million and amending other terms and conditions.

Concurrent with the closing of the IPO, the Company amended its term loan and revolving credit facility (collectively the "Credit Facilities") with its syndicate of lenders. The amendments included allowing the Company to enter into bilateral letters of credit agreements of up to \$75.0 million within different lenders, lowering the applicable margin on interest rates and amending other terms and conditions. As a result of the amendments, the Company wrote off financing fees of \$2.9 million (note 15) in finance expense for the year ended February 26, 2017.

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a) Long-term debt

	February 26, 2017	February 28, 2016
Term loan	\$ 134,059	\$ 145,550
Less: Deferred financing fees	(292)	(1,813)
Term loan, net of deferred financing fees	133,767	143,737
Less: Current portion	(15,288)	(11,348)
Long-term debt	<u>\$ 118,479</u>	<u>\$ 132,389</u>

The Company has a term loan of \$134.1 million (February 28, 2016 - \$145.6 million) that matures on May 13, 2019. The Company has the option to borrow using Banker's Acceptance borrowings ("BA"), LIBO rate borrowings ("LIBO") or Canadian prime rate borrowings ("Prime") plus a marginal interest rate between 0.75% and 3.00% (February 28, 2016 - 2.50% and 4.75%).

During the years ended February 26, 2017 and February 28, 2016, the Company incurred \$5.6 million and \$7.4 million of interest, respectively, at an average rate of 3.95% and 4.91%, respectively. At February 26, 2017 and February 28, 2016, the interest rate on the loan was 2.95% and 4.39%, respectively, based on a one-month BA rate.

The term loan requires mandatory loan prepayments by the Company of principal and interest if certain events occur. At February 26, 2017 and February 28, 2016, the Company was not required to make a mandatory loan prepayment.

The Company defers third party costs and creditor fees directly associated with acquiring long-term debt. These deferred costs are classified against long-term debt and bank indebtedness and are amortized as finance expense over the expected life of the related indebtedness using the effective interest rate method.

b) Bank indebtedness

The Company has a revolving credit facility for operations of \$70.0 million (February 28, 2016 - \$70.0 million). The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.75% and 3.00% (February 28, 2016 - 2.50% and 4.75%). The amount available under this facility was reduced by open letters of credit (note 18(c)) to \$50.7 million and \$51.9 million, respectively, at February 26, 2017 and February 28, 2016. Up to \$5.0 million of the facility can be drawn upon by way of a swingline loan. The swingline loan bears interest at Prime plus a marginal rate between 0.75% and 2.00%. At February 26, 2017 and February 28, 2016, no advances were made under this facility.

During the years ended February 26, 2017 and February 28, 2016, the Company incurred interest of \$0.1 million and \$0.7 million, respectively, at an average rate of 5.20% and 4.71%, respectively. At

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February 26, 2017 and February 28, 2016, the interest rate on the credit facility was 2.95% and 4.39%, respectively, based on a one-month BA rate.

The Credit Facilities are collateralized by a first priority lien on all assets, leased real property interests and inventory. In addition, the Company is to maintain certain financial covenants. At February 26, 2017 and February 28, 2016, the Company was in compliance with all financial covenants.

Subsequent to February 26, 2017, the Company entered into a \$50.0 million trade finance agreement for letters of credit, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.17% and 2.00%.

11 Derivative financial instruments

The Company uses foreign currency forward contracts to manage its exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities in the consolidated statements of financial position, depending on whether they represent assets or liabilities to the Company.

The amount recorded in the consolidated statements of operations in other income, net relates to the change in fair value of foreign currency forward contracts during the year ended February 26, 2017 which was a gain of approximately \$0.2 million. No gains or losses relating to the changes in fair value of foreign currency forward contracts were recognized during the year ended February 28, 2016.

The forward contracts generally have a term of no more than 12 months. The notional amount of these contracts outstanding at February 26, 2017 was \$27.5 million U.S. dollars at an average forward rate of 1.3026. There were no foreign currency forward contracts outstanding at February 28, 2016.

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12 Share capital

Prior to the IPO, the Company's authorized share capital consisted of an unlimited number of Class A, Class B, Class C, Class D common shares and preferred shares. There were 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding.

Immediately prior to the closing of the IPO, all of the outstanding Class A and Class C common shares were exchanged for either one multiple voting share or one subordinate voting share. The Company's Class B and Class D common shares and preferred shares were removed from the Company's authorized share capital. The Company's authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series. Each subordinate voting share is entitled to one vote and each multiple voting share is entitled to 10 votes on all matters upon which holders are entitled to vote.

Following the foregoing share exchanges, all of the Company's issued and outstanding multiple voting shares and subordinate voting shares were consolidated on a one-to-0.5931691091 basis.

Concurrent with the IPO and Secondary Offering, the selling shareholders exchanged a certain number of their multiple voting shares for subordinate voting shares.

As at February 26, 2017, there were 55,756,002 multiple voting shares and 53,016,459 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at February 26, 2017.

13 Stock options

The Company has granted stock options under the Legacy Plan and the 2016 Option Plan.

Legacy Plan

Prior to the IPO, the Company had both time-based and performance-based options to acquire Class A or Class D common shares. Time-based and performance-based options annually vest pro-rata on the anniversary of the grant date for a period of up to five years. Vested performance-based options become earned and exercisable upon a liquidation event based upon the majority shareholder's achievement of a certain internal rate of return. As a result of the IPO, a liquidation event was triggered and, as such, certain performance-based options under the Legacy Plan became earned and exercisable.

In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on a one-to-0.5931691091 basis for options exercisable to acquire subordinate voting shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Following completion of the IPO, no additional options will be granted under the Legacy Plan, and the outstanding options under the Legacy Plan are exercisable for subordinate voting shares of the Company. In addition, the expiration date of certain options under the Legacy Plan was extended from June 1, 2017 to April 4, 2018. Outstanding stock options have a term of 10 years to 15 years.

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Transactions for stock options granted under the Legacy Plan post share consolidation for the years ended on the dates indicated below were as follows:

	February 26, 2017		February 28, 2016 ⁽¹⁾	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	16,766,534	\$ 2.83	16,571,833	\$ 2.53
Granted	874,924	7.09	1,706,639	6.04
Forfeited	(121,662)	4.01	(1,511,938)	3.09
Exercised	(5,698,087)	1.42	-	-
Cancelled ⁽²⁾	(533,037)	3.56	-	-
Outstanding, at end of year	11,288,672	\$ 3.82	16,766,534	\$ 2.83
Exercisable, at end of year	7,602,406	\$ 3.03	6,453,965	\$ 2.36

⁽¹⁾ This table reflects the options and exercise price after the one-to-0.5931691091 share consolidation which took effect immediately prior to the closing of the IPO.

⁽²⁾ Upon closing of the IPO, the Company cancelled 533,037 performance-based options under the Legacy Plan.

Information relating to stock options outstanding and exercisable under the Legacy Plan as at February 26, 2017 is as follows:

Exercise prices per share	Stock options outstanding			Stock options exercisable		
	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price
\$0.01 to \$3.13	3,713,279	2.69	\$1.61	3,710,641	2.69	\$1.61
\$3.14 to \$4.96	3,776,280	6.10	\$3.89	2,544,352	5.67	\$3.93
\$4.97 to \$7.09	3,799,113	7.70	\$5.91	1,347,413	6.22	\$5.27
	11,288,672	5.51	\$3.82	7,602,406	4.31	\$3.03

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a) Time-based options

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan. As a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. Concurrent with the IPO, the Company amended the Legacy Plan to remove the cash settlement feature as of September 30, 2016. As a result of this modification, the Company accounts for the time-based options as an equity-settled plan from the date of modification.

The fair value of the recorded liability in relation to the time-based options at the date of modification, September 30, 2016, was \$107.2 million. This amount has been reclassified to contributed surplus on the consolidated statements of financial position. From the date of modification to February 26, 2017, the Company recognized stock-based compensation expense of \$3.2 million.

The weighted average fair value of the time-based stock options at the date of modification was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	44.0%
Risk-free interest rate	1.0%
Expected life	1.2 to 5.7 years
Exercise price (post share consolidation)	\$0.01 to \$7.09
Weighted average fair value of stock options estimated at the date of modification	\$11.51

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group of publicly traded retail apparel companies. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

Stock-based compensation expense in relation to the time-based options for the years ended February 26, 2017 and February 28, 2016 was \$76.1 million and \$10.7 million, respectively. Included in this expense was an adjustment for the fair value of the options based on an updated estimated share price of the Company up to the date of the plan modification, from being cash-settled to equity-settled, on September 30, 2016.

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b) Performance-based options

The performance-based options are equity-settled. As such, the expense associated with performance-based options is recorded as stock-based compensation expense with a corresponding entry made to contributed surplus on the consolidated statements of financial position.

During August 2016, the Company concluded that it is probable that the performance conditions will be achieved and recognized stock-based compensation expense in relation to the performance-based options of \$22.5 million during the 13-week period ended August 28, 2016. The Company recognized stock-based compensation expense of \$23.6 million during the year ended February 26, 2017.

The weighted average fair value of the performance-based stock options at the date of grant was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	43.1% to 54.8%
Risk-free interest rate	1.0% to 3.5%
Expected life	0.8 to 10.0 years
Exercise price (post share consolidation)	\$0.01 to \$7.09
Weighted average fair value of stock options estimated at the date of grant	\$3.51

2016 Option Plan

Concurrent with the IPO, the Company adopted the 2016 Option Plan pursuant to which it can grant share options to acquire subordinate voting shares to directors, executive officers, employees and consultants. The options vest annually pro-rata on the anniversary of the grant date over a period of five years.

Transactions for stock options granted under the 2016 Option Plan for the year ended February 26, 2017 were as follows:

	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	-	\$ -
Granted	3,263,759	16.12
Outstanding, at end of year	3,263,759	\$ 16.12
Exercisable, at end of year	-	\$ -

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Exercise prices per share	Stock options outstanding			Stock options exercisable		
	Number	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number	Weighted average remaining contractual life (in years)	Weighted average exercise price
\$16.00 to \$16.60	3,263,759	6.65	\$16.12	-	-	-

The weighted average fair value of the time-based stock options at the date of grant was estimated based on the Black-Scholes option pricing model using the following assumptions from the date of grant to February 26, 2017:

Dividend yield	0.0%
Expected volatility	43.0% to 44.0%
Risk-free interest rate	0.7% to 1.3%
Expected life	5.0 to 7.0 years
Exercise price	\$16.00 to \$16.60
Weighted average fair value of share options estimated at the date of grant	\$6.93

Stock-based compensation expense in relation to the time-based options under the 2016 Option Plan for the year ended February 26, 2017 was \$3.1 million.

Director Deferred Share Unit Program

The Director Deferred Share Unit Program was adopted in conjunction with the IPO for non-employee board members. Each eligible director receives a portion of his or her annual director retainer in DSUs.

The grant of DSUs does not entitle any eligible director to dividends or other distributions on the Company's subordinate voting shares, or to exercise voting rights or any other rights attaching to the ownership of the subordinate voting shares, provided that the Board may determine if and when DSUs are to be credited with dividend equivalents based on the dividend policy of the Company at the relevant time.

DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. DSUs are granted quarterly and the Company is required to record a liability for the potential future settlement of the DSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the DSUs was \$0.2 million at February 26, 2017, with the expense recorded as stock-based compensation expense during the year ended February 26, 2017.

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14 Net income (loss) per share

a) Basic

Basic net income (loss) per share is calculated by dividing the income (loss) attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the periods ended on the dates provided below, after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO. As all the classes of shares are subject to the same distribution rights, the Company performs the net income (loss) per share calculations as if all shares are a single class.

	February 26, 2017	February 28, 2016
Net income (loss) attributable to shareholders of the Company	\$ (56,109)	\$ 32,372
Weighted average number of shares outstanding during the year (<i>thousands</i>)	104,787	103,046
Basic net income (loss) per share	<u>\$ (0.54)</u>	<u>\$ 0.31</u>

b) Diluted

In calculating net income (loss) per diluted share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Accordingly, stock options that are accounted for as cash-settled will require adjustments to the numerator and denominator if the equity-settled method is determined to have a more dilutive effect. The cash-settled method was more dilutive up to the date of modification for the years ended February 26, 2017 and February 28, 2016. The weighted average number of shares outstanding was adjusted after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO.

	February 26, 2017	February 28, 2016
Net income (loss) attributable to shareholders of the Company	\$ (56,109)	\$ 32,372
Weighted average number of shares for net income (loss) per diluted share (<i>thousands</i>)	104,787	103,046
Net income (loss) per diluted share	<u>\$ (0.54)</u>	<u>\$ 0.31</u>

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15 Expenses by nature

	Cost of goods sold	
	February 26, 2017	February 28, 2016
Inventory and product-related costs and occupancy costs	\$ 384,543	\$ 331,516
Depreciation expense	17,115	12,579
	<u>\$ 401,658</u>	<u>\$ 344,095</u>
	Personnel expenses	
	February 26, 2017	February 28, 2016
Salaries, wages and employee benefits	\$ 139,662	\$ 111,897
Stock-based compensation expense	103,044	10,651
	<u>\$ 242,706</u>	<u>\$ 122,548</u>
	Finance expense	
	February 26, 2017	February 28, 2016
Interest expense and banking fees, net	\$ 6,988	\$ 9,762
Write-off of deferred financing fees ⁽¹⁾	2,867	-
Amortization of deferred financing fees	600	1,233
	<u>\$ 10,455</u>	<u>\$ 10,995</u>

- ⁽¹⁾ The Company wrote off financing fees of \$2.9 million as a result of the amendment of its Credit Facilities concurrent with the closing of the IPO during the year ended February 26, 2017 (note 10).

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16 Income taxes

a) Income tax expense

	February 26, 2017	February 28, 2016
Current tax expense		
Current period	\$ 27,305	\$ 17,655
Adjustment for prior period	125	(13)
	<u>27,430</u>	<u>17,642</u>
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	3,167	(5,156)
Adjustment for prior period	54	74
Changes in substantively enacted tax rates	71	191
	<u>3,292</u>	<u>(4,891)</u>
Income tax expense	<u>\$ 30,722</u>	<u>\$ 12,751</u>

b) Reconciliation of effective tax rate

The Company's income tax expense differs from that calculated by applying the combined substantively enacted Canadian federal and provincial statutory income tax rates for the years ended February 26, 2017 and February 28, 2016 of 26.3% and 26.2%, respectively, as follows:

	February 26, 2017	February 28, 2016
Income (loss) before income taxes	\$ (25,387)	\$ 45,123
Expected income tax expense (recovery)	\$ (6,687)	\$ 11,837
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation	36,089	-
Other non-deductible amounts	703	119
Foreign tax rate differences	321	579
Changes in substantively enacted tax rates	71	191
Adjustment for prior years	179	61
Other	46	(36)
Income tax expense	<u>\$ 30,722</u>	<u>\$ 12,751</u>

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c) Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at February 26, 2017 and February 28, 2016 are as follows:

	February 26, 2017	February 28, 2016
Deferred tax assets		
Deferred lease liability	\$ 16,431	\$ 14,213
Stock-based compensation	47	9,012
Financing and share issuance costs	1,815	-
Other	3,493	1,640
Total deferred tax assets	21,786	24,865
Deferred tax liabilities		
Goodwill and intangible assets	(18,841)	(18,050)
Property and equipment	(9,577)	(7,573)
Partnership income reserve	-	(2,158)
Other	(69)	(214)
Total deferred tax liabilities	(28,487)	(27,995)
Net deferred tax liability		
	\$ (6,701)	\$ (3,130)

The net change in deferred income tax liabilities is recorded as follows:

	February 26, 2017	February 28, 2016
Deferred tax expense (recovery) recorded in net income	\$ 3,292	\$ (4,891)
Deferred tax expense (recovery) recorded in other comprehensive income	279	(655)
	\$ 3,571	\$ (5,546)

Of the deferred income tax balances, the Company expects \$3.2 million of the deferred tax assets to be recovered within 12 months and \$0.1 million of the deferred tax liabilities to be settled within 12 months.

The Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries; accordingly, the Company has not recorded a deferred tax liability on these earnings.

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17 Segment information

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the Chief Operating Decision Maker (the "CODM"). The Company has determined that the Chief Executive Officer is its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's customers, including sales through the Company's eCommerce website and sales at the Company's stores.

The following table summarizes revenue by geographic location of customers:

	February 26, 2017	February 28, 2016
Canada	\$ 496,292	\$ 414,499
United States	170,889	127,964
	<u>\$ 667,181</u>	<u>\$ 542,463</u>

The Company's non-current, non-financial assets (property and equipment, intangible assets and goodwill) are geographically located as follows:

	February 26, 2017	February 28, 2016
Canada	\$ 274,502	\$ 267,241
United States	31,359	24,453
	<u>\$ 305,861</u>	<u>\$ 291,694</u>

18 Commitments and contingencies

a) Operating leases

The Company conducts operations from leased stores, distribution centres and administrative offices. For the years ended February 26, 2017 and February 28, 2016, the rent expense under these operating leases was \$86.7 million and \$77.5 million, respectively, of which \$1.6 million and \$2.0 million was contingent rent.

Leases for certain of the Company's premises include renewal options, rent escalation clauses and free-rent periods. Minimum annual commitments for the Company's operating leases for its premises, excluding other occupancy charges and additional rent based on a percentage of sales, are as follows:

Less than 1 year	\$ 71,524
Between 1 and 5 years	312,995
More than 5 years	<u>324,786</u>
Total	<u>\$ 709,305</u>

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b) Purchase obligations

At February 26, 2017 and February 28, 2016, the Company had purchase obligations of \$24.8 million and \$14.4 million, respectively, which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

c) Letters of credit

At February 26, 2017 and February 28, 2016, the Company had open letters of credit of \$19.3 million and \$18.1 million, respectively.

19 Related party transactions

The Company is ultimately controlled by Canada Retail Holdings, L.P., also being the Company's ultimate parent.

The Company entered into the following transactions with related parties:

- a) Berkshire is the investment manager to private equity funds that indirectly hold an ultimate controlling interest in the Company. Berkshire provided consulting and management advisory services to the Company pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, the Company terminated the Management Agreement with Berkshire.

During the years ended February 26, 2017 and February 28, 2016, the Company incurred management fees of \$190 and \$321, respectively, for services rendered. Total reimbursements to Berkshire for travel, lodging and other costs for the years ended February 26, 2017 and February 28, 2016 were \$247 and \$131, respectively. At February 26, 2017 and February 28, 2016, \$nil and \$29, respectively, was included in accounts payable and accrued liabilities.

- b) In connection with the IPO and Secondary Offering, the Company reimbursed in aggregate \$1.4 million in professional fees and other costs to the principal selling shareholders. At February 26, 2017, \$948 was included in accounts payable and accrued liabilities.
- c) During the years ended February 26, 2017 and February 28, 2016, the Company purchased \$10.8 million and \$7.7 million, respectively, of merchandise from a company partially owned by private equity funds managed by Berkshire. At February 26, 2017 and February 28, 2016, \$47 and \$170, respectively, was included in accounts payable and accrued liabilities.
- d) During the years ended February 26, 2017 and February 28, 2016, the Company paid \$2.2 million and \$2.0 million, respectively, for rent of premises partially owned by a company that is owned by a director and officer of the Company.

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- e) During the years ended February 26, 2017 and February 28, 2016, the Company provided unsecured loans bearing interest at a rate of between 1% to 5% to certain employees, including key management, with certain repayment terms. As at February 26, 2017 and February 28, 2016, the outstanding balance on the employee loans was \$125 and \$405, respectively, and was included in accounts receivable and/or other assets.
- f) During the year ended February 28, 2016, the Company made a charitable donation of \$0.1 million to an organization that is related to a director and officer of the Company.
- g) Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	February 26, 2017	February 28, 2016
Salaries, directors' fees and short-term benefits	\$ 3,084	\$ 3,017
Stock-based compensation expense ⁽¹⁾	14,781	202
	<u>\$ 17,865</u>	<u>\$ 3,219</u>

- ⁽¹⁾ Stock-based compensation expense for the year ended February 26, 2017 includes stock-based compensation expense for the Company's time-based and performance-based options under the Legacy Plan, plus stock-based compensation expense for the Company's time-based options under the 2016 Option Plan (note 13).

20 Supplemental cash flow information

	February 26, 2017	February 28, 2016
Net change in non-cash working capital balances		
Accounts receivable	\$ 959	\$ (1,311)
Prepaid expenses and other current assets	(2,569)	2,866
Inventory	2,695	(13,005)
Other assets	1,683	(1,171)
Accounts payable and accrued liabilities	12,367	(2,362)
Deferred revenue	5,679	3,329
	<u>\$ 20,814</u>	<u>\$ (11,654)</u>
Supplemental cash flow information		
Accrued purchases of property and equipment	\$ 5,859	\$ 1,774
Accrued purchases of intangible assets	729	-
Non-cash increase in lease obligations for equipment under finance leases	-	1,341

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21 Financial instruments and risk management

The Company is exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk, as summarized below. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's consolidated financial performance.

Risk management is carried out under practices approved by the Company's Audit Committee. This includes reviewing and making recommendations to the Board regarding the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Financial instruments by category

The classification of financial instruments and their carrying amounts are as follows:

	February 26, 2017	February 28, 2016
Financial assets		
Cash and cash equivalents	\$ 79,527	\$ 3,586
Accounts receivable	2,624	3,600
Foreign currency forward contracts	181	-
Financial liabilities		
Accounts payable and accrued liabilities	\$ 50,484	\$ 33,157
Lease obligations	1,749	2,481
Long-term debt	133,767	143,737

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the relatively short periods to maturity of these financial instruments. The fair value of the lease obligations is approximately equal to their carrying value. For the other financial liabilities, the fair value is as follows:

	February 26, 2017	February 28, 2016
Long-term debt (Level 2)	\$ 134,059	\$ 145,550
Foreign currency forward contracts (Level 2)	181	-

(in thousands of Canadian dollars, unless otherwise noted)

a) Market risk

Currency risk

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, monetary assets and liabilities denominated in a foreign currency, and net investments in foreign operations. The Company sources the majority of its raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. The Company's foreign exchange risk is primarily with respect to the U.S. dollar but the Company has limited exposure to other currencies as well. Foreign currency forward contracts are used to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

As at February 26, 2017, a \$0.01 variation in the Canadian dollar against the U.S. dollar on net monetary accounts in U.S. dollars would, all other variables being constant, have an approximate favourable/unfavourable impact of \$0.1 million on net income (loss).

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes the Company to cash flow interest rate risk. Debt issued at fixed rates exposes the Company to fair value interest rate risk. During the year, the Company had only variable rate debt. An increase or decrease in interest rate by 1% would result in an increase/decrease of \$1.4 million on interest expense on the Credit Facilities.

b) Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable and derivative contracts used to hedge market risks. The Company offsets credit risks associated with cash and cash equivalents by depositing its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. The Company is exposed to credit risk on accounts receivable from its landlords for tenant allowances. In order to reduce this risk, the Company enters into leases with landlords with established credit history and, for certain leases, the Company may offset rent payments until accounts receivable are fully satisfied. The Company only enters into derivative contracts with major financial institutions, as described above, for the purchase of its foreign currency forward contracts.

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages liquidity risk through various means, including monitoring actual and projected cash flows, taking into account the seasonality of its revenue, income and working capital needs.

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The Company's revolving credit facility is used to maintain liquidity. As at February 26, 2017, the Company had available credit of \$70.0 million (February 28, 2016 - \$70.0 million) under its revolving credit facility, of which \$nil (February 28, 2016 - \$nil) was drawn, and had outstanding letters of credit totalling \$19.3 million (February 28, 2016 - \$18.1 million), which reduced the availability under this credit facility. The amount drawn under this credit facility is presented as bank indebtedness in current liabilities based on the Company's estimate of what it expects to settle in the next 12 months (note 10).

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at February 26, 2017:

	Within one year	After one but not more than 5 years	After 5 years	Total
Accounts payable and accrued liabilities	\$ 50,484	\$ -	\$ -	\$ 50,484
Finance lease obligations	766	983	-	1,749
Assumed interest on long-term debt ⁽¹⁾	3,937	4,125	-	8,062
Long-term debt	15,321	118,738	-	134,059
Total	\$ 70,508	\$ 123,846	\$ -	\$ 194,354

⁽¹⁾ based on interest rates in effect as at February 26, 2017

22 Capital management

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its growth;
- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business; and
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The Company defines capital as its Credit Facilities and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store expansion and renovation projects and other infrastructure investments. The Company currently funds these requirements out of its internally generated cash flows and revolving credit facility.

The Company is subject to financial covenants and collateral pursuant to the Credit Facilities presented in note 10.





Aritzia