

Aritzia Reports Strong Fourth Quarter and Full Fiscal Year 2017 Financial Results

Comparable Sales Increased by 11.5% for the Fourth Quarter and 14.0% for the Full Year
Gross Profit Margin Increased 440 bps for the Fourth Quarter and 320 bps for the Full Year
Adjusted EBITDA Increased by 38.8% for the Fourth Quarter and 38.5% for the Full Year

VANCOUVER, May 10, 2017 /PRNewswire/ - Aritzia Inc. ("Aritzia" or the "Company") (TSX: ATZ), an innovative design house and fashion retailer of exclusive brands, today announced financial results for the fourth quarter and full fiscal year ended February 26, 2017.

Brian Hill, Aritzia's Founder, Chairman and Chief Executive Officer, commented, "Our strong fourth quarter and full year performance demonstrates our ability to drive consistent profitable growth. We achieved double digit comparable sales increases in each quarter of fiscal 2017, reflecting continued momentum in our Canadian and U.S. retail stores, as well as outstanding performance in our eCommerce business. We believe our commitment to provide beautiful high quality product at an attainable price point and an aspirational shopping experience has enabled us to deliver exceptional results and will continue to distinguish us going forward."

Mr. Hill continued, "Looking ahead, we remain focused on driving revenue growth by expanding our store base in North America, targeting substantial growth in our eCommerce business, and continuing to create innovative product assortments with new brands and extensions of our existing brands. We believe that our unwavering focus on beautiful product, an aspirational shopping experience, and exceptional customer service will enable us to continue to deliver strong revenue and earnings growth, both in the near term and over the long term."

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

Highlights for the Fourth Quarter

- Net revenue increased by 17.4% to \$196.4 million from \$167.4 million in Q4 last year
- Comparable sales growth was 11.5%, following 9.2% growth in Q4 last year
- Gross profit margin increased by 440 basis points to 38.4% from 34.0% in Q4 last year
- Adjusted EBITDA increased by 38.8% to \$32.3 million from \$23.3 million in Q4 last year
- Net income increased by 15.1% to \$11.5 million from \$10.0 million in Q4 last year
- Adjusted net income increased by 55.5% to \$18.3 million, or \$0.16 per diluted share (treasury stock method⁽¹⁾), from \$11.8 million, or \$0.10 per diluted share (treasury stock method⁽²⁾) in Q4 last year

The Company opened two new stores during the fourth quarter.

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". Further 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 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.

Highlights for Fiscal 2017

- 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% growth in fiscal 2016
- Gross profit margin increased by 320 basis points to 39.8% from 36.6% in fiscal 2016
- Adjusted EBITDA increased by 38.5% to \$117.7 million from \$85.0 million in fiscal 2016
- Net loss was \$56.1 million compared to net income of \$32.4 million in fiscal 2016, primarily driven by stock-based compensation expense of \$103.0 million. The magnitude of this non-cash expense is primarily due to the accounting expense related to our legacy option plan associated with the increase in valuation of our shares in connection with our initial public offering (“IPO”)
- 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

The Company opened five new stores and expanded or repositioned five existing stores during the fiscal year. At the end of fiscal 2017, the Company had 60 stores in Canada and 19 stores in the United States.

Fourth Quarter Results

All comparative figures below are for the 13-week period ended February 26, 2017, compared to the 13-week period ended February 28, 2016.

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

Gross profit increased by 32.4% to \$75.4 million, or 38.4% of net revenue, compared to \$56.9 million, or 34.0% of net revenue, in the prior year. The 440 basis point increase in gross profit margin was primarily due to lower product-related costs in addition to leverage on the fixed portion of store occupancy costs and fewer markdowns compared to the prior year.

Selling, general and administrative (“SG&A”) expenses increased by 26.9% to \$49.5 million, compared to \$39.0 million in the prior year. On January 26, 2017, Aritzia completed a secondary offering (the “Secondary Offering”) of its subordinate voting shares through a secondary sale of shares by its shareholders. Excluding the impact of Secondary Offering costs of approximately \$0.9 million incurred during the quarter, SG&A expenses were 24.7% of net revenue, compared to 23.3% of net revenue in the prior year. This increase in SG&A expenses was primarily due to investment in support office talent and higher store labour costs as the Company continues to focus on elevating its retail experience.

Adjusted EBITDA increased by 38.8% to \$32.3 million, or 16.4% of net revenue, compared to \$23.3 million, or 13.9% of net revenue, in the prior year. Adjusted EBITDA in the quarter excludes stock-based compensation expense of \$4.4 million, unrealized foreign exchange losses on U.S. dollar forward contracts of \$1.7 million, and Secondary Offering costs of \$0.9 million. Adjusted EBITDA for the fourth quarter in the prior year excludes stock-based compensation of \$2.0 million and unrealized foreign exchange losses on U.S. dollar forward contracts of \$0.2 million.

Stock-based compensation expense was \$4.4 million consisting of \$2.3 million in expenses related to the accounting for options under the legacy option plan and \$2.1 million in expenses primarily related to the accounting of options under the new option plan.

Net income for the quarter was \$11.5 million, compared to \$10.0 million in the prior year. Excluding the impact of stock-based compensation expense, unrealized foreign exchange losses on U.S. dollar forward contracts, and Secondary Offering costs, net of related tax effects, Adjusted Net Income increased by 55.5% to \$18.3 million, or \$0.16 per diluted share (treasury stock method⁽¹⁾), compared to Adjusted Net Income of \$11.8 million, or \$0.10 per diluted share (treasury stock method⁽²⁾), in the prior year.

Fiscal Year 2017 Results

All comparative figures below are for the 52-week period ended February 26, 2017, compared to the 52-week period ended February 28, 2016.

Net revenue increased by 23.0% to \$667.2 million from \$542.5 million in the prior year. The increase was primarily driven by comparable sales growth of 14.0%, arising from both strong in-store performance and continued momentum in the Company's eCommerce business, as well as the revenue from non-comparable stores.

Gross profit increased by 33.9% to \$265.5 million, or 39.8% of net revenue, compared to 36.6% of net revenue in the prior year. The 320 basis point increase in gross profit margin was primarily due to lower product-related costs in addition to leverage on the fixed portion of store occupancy costs.

SG&A expenses increased by 32.3% to \$178.8 million, compared to \$135.1 million in the prior year. Excluding the impact of the IPO and Secondary Offering costs of approximately \$8.6 million incurred during the year, SG&A expenses were 25.5% of net revenue, compared to 24.9% of net revenue in the prior year. This increase in SG&A expenses was primarily due to investment in support office talent and higher store labour costs as the Company continues to focus on elevating its retail experience.

Adjusted EBITDA increased by 38.5% to \$117.7 million, or 17.6% of net revenue, as compared to \$85.0 million, or 15.7% of net revenue, in the prior year. Stock-based compensation of \$103.0 million was expensed due to both legacy time-based options adjusted to fair market value up to September 30, 2016, and the triggering of legacy performance-based options of \$23.6 million in connection with the Company's IPO. Stock-based compensation of \$10.7 million was expensed in the prior year (while the Company was under private ownership) due solely to the legacy time-based options. The stock-based compensation expense primarily contributed to a net loss of \$56.1 million, compared to net income of \$32.4 million in the prior year.

Excluding the impact of stock-based compensation expense, unrealized foreign exchange gains on U.S. dollar forward contracts, IPO and Secondary Offering costs, and \$2.9 million in debt refinancing costs related to the IPO, net of related tax effects, Adjusted Net Income increased by 60.4% to \$64.6 million, or \$0.55 per diluted share (treasury stock method⁽¹⁾), compared to \$40.3 million, or \$0.34 per diluted share (treasury stock method⁽²⁾), in the prior year.

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, the Company opened a flagship store in Century City Westfield in Los Angeles, its first location in Southern California, and its sixth Wilfred banner store in Square One Shopping Centre in Toronto. The Company also repositioned its Richmond Centre location in Greater Vancouver at the end of April. In addition, the Company plans 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. The Company continues to see strong momentum online and is expecting meaningful growth in its eCommerce business in fiscal 2018. This planned increase in the Company's store footprint and anticipated growth in eCommerce will keep the Company on track with the growth objectives outlined in its five-year plan.

In fiscal 2018, the Company continues to make strategic investments in the business. The implementation of a new point-of-sale (POS) system is expected to further enhance the Company's omni-channel operations and customer relationship capabilities. In April, the Company expanded its Columbus area distribution centre capacity from 45,000 square feet to 138,000 square feet. The Company has also begun the process of relocating and expanding its Greater Vancouver distribution centre, from its existing 83,000 square foot facility into a new 223,000 square foot facility. The Company expects 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 Company's next phase of growth.

Conference Call

A conference call to discuss fourth quarter results is scheduled for Wednesday, May 10, 2017, at 1:30 p.m. PST / 4:30 p.m. EST. A replay will be available shortly after the conclusion of the call and will remain available until May 24, 2017. To access the replay, please dial 1-855-669-9658 and use replay access code 1281. A webcast will be available after the call and will remain on Aritzia's investor relations website at investors.aritzia.com for thirty days.

About Aritzia

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

Non-IFRS Measures including Retail Industry Metrics

This press release makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share", and "gross profit margin". This press release also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including retail industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A. Such reconciliations can also be found in this press release under the heading "Selected Consolidated Financial Information".

Forward-Looking Information

Certain information contained in this press release may constitute forward-looking information under applicable securities laws, including statements related to the Company's continued progress on its growth and strategic initiatives, including the expansion of its North American store footprint including the opening of new locations, expanding or repositioning of existing locations and accelerating the growth of its eCommerce business, the Company's belief that its business model will enable it to deliver consistent sales and profitability growth and in turn, increase shareholder value over the long term. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and are made as of the date of this press release. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors" which are described in the Company's annual information form dated May 10, 2017 for the fiscal year ended February 26, 2017 (the "AIF").

The Company cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Forward-looking Information" and "Risk Factors" in the AIF for a discussion of the uncertainties, risks and assumptions associated with these statements.

For Further Information

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Selected Consolidated Financial Information

	Q4 2017 13 weeks		Q4 2016 13 weeks		Fiscal 2017 52 weeks		Fiscal 2016 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%
Cost of goods sold	121,028	61.6%	110,426	66.0%	401,658	60.2%	344,095	63.4%
Gross profit	75,368	38.4%	56,932	34.0%	265,523	39.8%	198,368	36.6%
Operating expenses								
Selling, general and administrative	49,471	25.2%	38,992	23.3%	178,773	26.8%	135,111	24.9%
Stock-based compensation expense	4,413	2.2%	2,025	1.2%	103,044	15.4%	10,651	2.0%
Income (loss) from operations	21,484	10.9%	15,915	9.5%	(16,294)	(2.4%)	52,606	9.7%
Finance expense	1,339	0.7%	2,306	1.4%	10,455	1.6%	10,995	2.0%
Other expense (income), net	1,589	0.8%	(302)	(0.2%)	(1,362)	(0.2%)	(3,512)	(0.6%)
Income (loss) before income taxes	18,556	9.4%	13,911	8.3%	(25,387)	(3.8%)	45,123	8.3%
Income tax expense	7,028	3.6%	3,898	2.3%	30,722	4.6%	12,751	2.4%
Net income (loss)	\$ 11,528	5.9%	\$ 10,013	6.0%	\$ (56,109)	(8.4%)	\$ 32,372	6.0%
Other Performance Measures:								
Year-over-year net revenue growth	17.4%		20.6%		23.0%		26.9%	
Comparable sales growth	11.5%		9.2%		14.0%		16.7%	
Capital expenditures	\$ 11,610		\$ 6,685		\$ 31,136		\$ 28,183	
Number of stores, end of period	79		74		79		74	

Q4 2017 **Q4 2016** **Fiscal 2017** **Fiscal 2016**
13 weeks **13 weeks** **52 weeks** **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
Depreciation and amortization	5,362	4,834	21,129	18,200
Finance expense	1,339	2,306	10,455	10,995
Income tax expense	7,028	3,898	30,722	12,751
EBITDA	25,257	21,051	6,197	74,318
Adjustments to EBITDA:				
Stock-based compensation expense	4,413	2,025	103,044	10,651
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
Adjusted EBITDA as a Percentage of Net Revenue	16.4%	13.9%	17.6%	15.7%

Reconciliation of Net Income (Loss) to Adjusted Net Income:

Net income (loss)	\$ 11,528	\$ 10,013	\$ (56,109)	\$ 32,372
Adjustments to net income (loss):				
Stock-based compensation expense	4,413	2,025	103,044	10,651
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)
Adjusted Net Income	\$ 18,284	\$ 11,757	\$ 64,627	\$ 40,282
Adjusted Net Income as a Percentage of Net Revenue	9.3%	7.0%	9.7%	7.4%
Adjusted Net Income per Diluted Share⁽¹⁾⁽²⁾	\$ 0.16	\$ 0.10	\$ 0.55	\$ 0.34

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 and fiscal 2016 are based on the same diluted share count as Adjusted Net Income per diluted share for Q4 2017 and fiscal 2017, respectively.

	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	108,772,461	108,772,461
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	117,408,845	117,408,845

	Q4 2017 13 weeks	Q4 2016 13 weeks (in thousands of Canadian dollars)	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
Cash Flows:				
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
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Increase (decrease) in cash and cash equivalents	\$ 20,128	\$ (8,952)	\$ 75,941	\$ (3,637)
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February 26, February 28,
2017 2016

**Consolidated Statements of Financial
Position:**

(in thousands of Canadian dollars)

	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	74,184	77,331
Total current assets	169,078	95,488
Property and equipment	95,695	81,490
Intangible assets	58,484	58,522
Goodwill	151,682	151,682
Other assets	2,052	4,892
Deferred tax assets	9,854	9,044
Total assets	\$ 486,845	\$ 401,118
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,484	\$ 33,157
Income taxes payable	19,222	11,769
Current portion of lease obligations	766	707
Current portion of long-term debt	15,288	11,348
Deferred revenue	15,749	10,170
Total current liabilities	101,509	67,151
Other non-current liabilities	47,711	74,948
Deferred tax liabilities	16,555	12,174
Lease obligations	983	1,774
Long-term debt	118,479	132,389
Total liabilities	285,237	288,436
Shareholders' equity		
Share capital	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