Aritzia Reports Second Quarter Fiscal 2024 Financial Results

VANCOUVER, September 28, 2023 – Aritzia Inc. (TSX: ATZ, "Aritzia", the "Company", "we" or "our"), a vertically integrated, innovative design house offering Everyday Luxury online and in its boutiques, today announced its financial results for the second quarter ended August 27, 2023 ("Q2 2024").

"Aritzia delivered second quarter net revenue of $534 million, an increase of approximately 2% on top of outstanding growth of 50% in the second quarter of Fiscal 2023 and 75% in the second quarter of Fiscal 2022. As we highlighted last quarter, we believe our top line trend is being impacted by missed opportunities in the level of new styles in our product assortment as well as a mixed consumer environment," said Jennifer Wong, Chief Executive Officer. "While our quarterly results do not meet our high standards, our performance was better than anticipated, and we made significant progress in executing against our Fiscal 2024 priorities. As planned, we opened our new Toronto area distribution centre at the end of August and meaningfully improved our inventory position."

Ms. Wong continued, "Following two years of unprecedented growth that resulted in a 39% three-year net revenue CAGR in Q2 of Fiscal 2024, we're continuing to position ourselves for the next phase of expected growth and invest in the scalability of our business. Entering the third quarter, our new styles for Fall are resonating well with our clients, and we expect our assortment to be in a strong position for Spring/Summer 2024. Our new and expanded boutiques continue to deliver better-than-expected results, which provides us confidence as we enter into a period of rapid square footage expansion, as well as continue to advance our eCommerce 2.0 strategy and re-accelerate our adjusted EBITDA[1] margin."

Second Quarter Highlights

- **Net revenue** increased 1.6% from Q2 2023[2] to $534.2 million, with a comparable sales growth (decline)[1] of (4.3)%
- **United States net revenue** increased 6.0% from Q2 2023 to $278.9 million, comprising 52.2% of net revenue in Q2 2024
- **Retail net revenue** increased 3.0% from Q2 2023 to $362.0 million
- **eCommerce net revenue** decreased 1.0% from Q2 2023 to $172.2 million, comprising 32.2% of net revenue in Q2 2024
- **Gross profit margin[1]** decreased 690 bps to 35.0% from 41.9% in Q2 2023
- **Net income (loss)** decreased 112.9% from Q2 2023 to $(6.0) million
- **Adjusted EBITDA[1]** decreased 74.4% from Q2 2023 to $21.2 million
- **Net income (loss) per diluted share** of $(0.05) per share, compared to $0.40 per share in Q2 2023
- **Adjusted Net Income per Diluted Share[1]** of $0.03 per share, compared to $0.44 per share in Q2 2023

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[1] Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures or supplementary financial measures. See "Comparable Sales and Comparable Sales Growth (Decline)", "Non-IFRS Measures and Retail Industry Metrics" and "Selected Financial Information".

[2] All references in this press release to "Q2 2023" are to our 13-week period ended August 28, 2022, to "YTD 2023" are to our 26-week period ended August 28, 2022, to "YTD 2024" are to our 26-week period ended August 27, 2023, to "Fiscal 2022" are to our 52-week period ended February 27, 2022, to "Fiscal 2023" are to our 52-week period ended February 26, 2023, to "Fiscal 2024" are to our 53-week period ending March 3, 2024, to "Fiscal 2025" are to our 52-week period ending March 2, 2025, and to "Fiscal 2027" are to our 52-week period ending February 28, 2027.

Second Quarter Results Compared to Q2 2023

(Unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q2 2024			Q2 2023			Change	
			% of net revenue			*% of net revenue*	*%*	*% pts*
Retail net revenue	$	362,014	67.8 %	$	351,630	66.9 %	3.0 %	
eCommerce net revenue		172,177	32.2 %		173,893	33.1 %	(1.0)%	
Net revenue	$	534,191	100.0 %	$	525,523	100.0 %	1.6 %	
Gross profit	$	186,846	35.0 %	$	220,273	41.9 %	(15.2)%	(6.9)%
Selling, general and administrative ("SG&A")	$	171,116	32.0 %	$	147,154	28.0 %	16.3 %	4.0 %
Net income (loss)	$	(5,990)	(1.1)%	$	46,261	8.8 %	(112.9)%	(9.9)%
Net income (loss) per diluted share	$	(0.05)		$	0.40		(112.5)%	
Adjusted EBITDA[1]	$	21,160	4.0 %	$	82,563	15.7 %	(74.4)%	(11.7)%
Adjusted Net Income per Diluted Share[1]	$	0.03		$	0.44		(93.2)%	

Net revenue increased by 1.6% to $534.2 million, compared to $525.5 million in Q2 2023. This is on top of strong net revenue growth over the last two years of 50.1% in Q2 2023 and 74.9% in Q2 2022, resulting in a three year compound annual growth rate ("CAGR") of 38.7%. There was a comparable sales growth (decline)[1] of (4.3%), compared to 28.3% in Q2 2023. The Company believes its second quarter net revenue trend was impacted by the level of new styles in its product assortment as well as a mixed consumer environment. In the United States, net revenue increased by 6.0% to $278.9 million, compared to $263.2 million in Q2 2023. Net revenue in Canada decreased by 2.7% to $255.3 million, compared to $262.3 million in Q2 2023.

- **Retail net revenue** increased by 3.0% to $362.0 million, compared to $351.6 million in Q2 2023. The increase was driven by strong performance of the Company's new and repositioned boutiques, which continue to generate better-than-expected results, partially offset by softer comparable sales. Boutique count[3] at the end of Q2 2024 totaled 116 compared to 112 boutiques at the end of Q2 2023.
- **eCommerce net revenue** decreased by 1.0% to $172.2 million, compared to $173.9 million in Q2 2023, which was driven by softer traffic trends, particularly during the Spring/Summer sale period.

Gross profit decreased by 15.2% to $186.8 million, compared to $220.3 million in Q2 2023. Gross profit margin[1] was 35.0%, compared to 41.9% in Q2 2023. The 690 bps decrease in gross profit margin was primarily due to inflation in product costs, normalized markdowns, temporary warehousing costs related to inventory management, pre-opening lease amortization costs for boutiques and our new distribution centre, and foreign currency headwinds. These impacts were partially offset by lower expedited freight costs.

SG&A expenses increased by 16.3% to $171.1 million, compared to $147.2 million in Q2 2023. SG&A expenses were 32.0% of net revenue, compared to 28.0% in Q2 2023. The increase in SG&A expenses was primarily due to investments in retail wages and support office labour made in the back half of Fiscal 2023, as well as distribution centre project costs.

Net income (loss) was $(6.0) million, a decrease of 112.9% compared to $46.3 million in Q2 2023, primarily attributable to the factors described above.

Net income (loss) per diluted share was $(0.05) per share, a decrease of 112.5% compared to $0.40 per share in Q2 2023.

Adjusted EBITDA[1] was $21.2 million or 4.0% of net revenue[1], a decrease of 74.4% compared to $82.6 million or 15.7% of net revenue[1] in Q2 2023.

[3] There were four Reigning Champ boutiques as at August 27, 2023 and August 28, 2022 which are excluded from the boutique count.

Adjusted Net Income[1] was $3.4 million, a decrease of 93.3% compared to $50.6 million in Q2 2023.

Adjusted Net Income per Diluted Share[1] was $0.03 per share, a decrease of 93.2% compared to $0.44 per share in Q2 2023.

Cash and cash equivalents at the end of Q2 2024 totaled $76.5 million compared to $65.4 million at the end of Q2 2023. The cash position at the end of Q2 2024 reflects a $100.0 million drawdown on the Company's revolving credit facility.

Inventory at the end of Q2 2024 was $500.9 million, an increase of 10.1% compared to $455.1 million at the end of Q2 2023. The Company is pleased that the inventory balance continues to normalize and expects the year-over-year comparison to further moderate for the remainder of Fiscal 2024.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $45.7 million in Q2 2024, compared to $22.8 million in Q2 2023. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers, support office expansion and technology infrastructure.

YTD 2024 Compared to YTD 2023

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	YTD 2024		YTD 2023		Change	
		% of net revenue		*% of net revenue*	*%*	*% pts*
Retail net revenue	$ 689,584	69.2 %	$ 639,454	68.5 %	7.8 %	
eCommerce net revenue	307,272	30.8 %	293,979	31.5 %	4.5 %	
Net revenue	$ 996,856	100.0 %	$ 933,433	100.0 %	6.8 %	
Gross profit	$ 366,797	36.8 %	$ 401,169	43.0 %	(8.6)%	(6.2)%
SG&A	$ 324,575	32.6 %	$ 267,433	28.7 %	21.4 %	3.9 %
Net income	$ 11,480	1.2 %	$ 79,522	8.5 %	(85.6)%	(7.3)%
Net income per diluted share	$ 0.10		$ 0.69		(85.5)%	
Adjusted EBITDA[1]	$ 52,748	5.3 %	$ 152,209	16.3 %	(65.3)%	(11.0)%
Adjusted Net Income per Diluted Share[1]	$ 0.13		$ 0.79		(83.5)%	

Net revenue increased by 6.8% to $996.9 million, compared to $933.4 million in YTD 2023 with a comparable sales growth (decline)[1] of (0.7)%. Results continued to be driven by performance in the United States, where net revenue increased by 12.9% to $530.8 million, compared to $470.0 million in YTD 2023. In Canada, net revenue increased by 0.6% to $466.1 million, compared to $463.5 million in YTD 2023.

– **Retail net revenue** increased by 7.8% to $689.6 million, compared to $639.5 million in YTD 2023. The increase in revenue was led by strong performance of our existing and new boutiques in the United States, partially offset by softer comparable sales.

– **eCommerce net revenue** increased by 4.5% to $307.3 million, compared to $294.0 million in YTD 2023. The increase in revenue was driven by growth within the United States.

Gross profit decreased by 8.6% to $366.8 million, compared to $401.2 million in YTD 2023. Gross profit margin was 36.8% compared to 43.0% in YTD 2023. The 620 bps decrease in gross profit margin was primarily due to inflation in product costs, normalized markdowns, temporary warehousing costs related to inventory management, pre-opening lease amortization costs for boutiques and our new distribution centre, and foreign currency headwinds. These impacts were partially offset by lower expedited freight costs.

SG&A expenses increased by 21.4% to $324.6 million, compared to $267.4 million in YTD 2023. SG&A expenses were 32.6% of net revenue compared to 28.7% in YTD 2023. The increase in SG&A expenses was primarily due to investments in retail wages and support office labour made in the back half of Fiscal 2023, as well as distribution centre project costs.

Net income was $11.5 million, a decrease of 85.6% compared to $79.5 million in YTD 2023, primarily attributable to the factors described above.

Net income per diluted share was $0.10, a decrease of 85.5%, compared to $0.69 in YTD 2023.

Adjusted EBITDA[1] was $52.7 million, or 5.3% of net revenue, a decrease of 65.3%, compared to $152.2 million, or 16.3% of net revenue in YTD 2023.

Adjusted Net Income[1] was $14.6 million, a decrease of 84.0%, compared to $91.5 million in YTD 2023.

Adjusted Net Income per Diluted Share[1] was $0.13, a decrease of 83.5%, compared to $0.79 in YTD 2023.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $72.2 million, compared to $47.2 million in YTD 2023. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers, support office expansion and technology infrastructure.

Outlook

Based on quarter-to-date trends, Aritzia expects net revenue in the third quarter of Fiscal 2024 to be flat to slightly down compared to the third quarter of Fiscal 2023 on top of strong growth of 50% in the third quarter last year and 75% in the third quarter of Fiscal 2022. The Company also expects gross profit margin to decrease by approximately 200 bps and SG&A as a percent of net revenue to increase by approximately 300 bps in the third quarter of Fiscal 2024 compared to the third quarter of Fiscal 2023.

Aritzia continues to expect the following for Fiscal 2024:

- Net revenue in the range of $2.25 billion to $2.35 billion, representing an increase of approximately 2% to 7% from Fiscal 2023 including the 53rd week. This reflects missed opportunities in the level of new styles in our product assortment as well as a mixed consumer environment, and includes the contribution from retail expansion in the United States with:
  - Eight new boutiques, including two boutiques already opened in the first half of Fiscal 2024,
  - and four boutique expansions, including two boutique expansions already opened.
  - Six of the eight new boutiques are expected to open in the second half of the fiscal year, including three in the last month of the fiscal year.
- Gross profit margin to decrease by approximately 300 bps compared to Fiscal 2023, reflecting ongoing inflationary pressures, normalized markdowns, temporary warehousing costs, and pre-opening lease amortization, partially offset by lower expedited freight costs.
- SG&A as a percent of net revenue to increase by approximately 300 bps compared to Fiscal 2023, driven by the annualization of investments in support office labour and retail wage inflation, as well as distribution centre project costs.
- Capital cash expenditures (net of proceeds from lease incentives)[1] of approximately $220 million. This includes approximately $120 million related to investments in new, repositioned and expanded boutiques expected to open in Fiscal 2024 and Fiscal 2025, as well as $100 million primarily related to our distribution centres and support office expansion.

The foregoing outlook is based on management's current strategies and may be considered forward-looking information under applicable securities laws. Such outlook is based on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment. This outlook is intended to provide readers management's projections for the Company as of the date of this press release. Readers are cautioned that actual results may vary materially from this outlook and that the information in the outlook may not be appropriate for other purposes. See also the "Forward-Looking Information" section of this press release and the "Forward-Looking Information" and "Risk Factors" sections of our Management's Discussion & Analysis for the second quarter of Fiscal 2024 dated September 28, 2023 (the "Q2 2024 MD&A"), for Fiscal 2023 dated May 2, 2023 (the "Fiscal 2023 MD&A") and the Company's annual information form for Fiscal 2023 dated May 2, 2023 (the "Fiscal 2023 AIF").

In addition, a discussion of the Company's long-term financial plan is contained in the Company's press release dated October 27, 2022, "Aritzia Presents its Fiscal 2027 Strategic and Financial Plan, Powering Stronger". This press release is available on the System for Electronic Document Analysis and Retrieval + ("SEDAR+") at www.sedarplus.ca and on our website at investors.aritzia.com.

Normal Course Issuer Bid

Between January 20, 2023 and September 27, 2023, the Company repurchased a total of 699,341 subordinate voting shares for cancellation at an average price of $28.39 per subordinate voting share for total cash consideration of $19.9 million under its 2023 normal course issuer bid.

Conference Call Details

A conference call to discuss the Company's second quarter results is scheduled for Thursday, September 28, 2023, at 1:30 p.m. PT / 4:30 p.m. ET. To participate, please dial 1-800-319-4610 (North America toll-free) or 1-416-915-3239 (Toronto and overseas long-distance). The call is also accessible via webcast at https://investors.aritzia.com/events-and-presentations/. A recording will be available shortly after the conclusion of the call. To access the replay, please dial 1-855-669-9658 and the access code 0396. An archive of the webcast will be available on Aritzia's website.

About Aritzia

Aritzia is a vertically integrated design house with an innovative global platform, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style that endures and inspires — all with the well-being of our People and Planet in mind. We call this Everyday Luxury.

Founded in 1984, in Vancouver, Canada, we create and curate products that are both beautiful and beautifully made, cultivate aspirational environments, offer engaging service that delights, and connect through captivating communications. We pride ourselves on providing immersive and highly personal shopping experiences at aritzia.com and in our 115+ boutiques throughout Canada and the United States to everyone, everywhere.

Everyday Luxury. To Elevate Your World.™

Comparable Sales and Comparable Sales Growth (Decline)

Comparable sales and comparable sales growth (decline) are retail industry metrics used to explain our total combined revenue growth (decline) in eCommerce and established boutiques.

Non-IFRS Measures and Retail Industry Metrics

This press release makes reference to certain non-IFRS measures and 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 financial measures including "EBITDA", "Adjusted EBITDA", and "Adjusted Net Income"; non-IFRS ratios including "Adjusted Net Income per Diluted Share", "Adjusted EBITDA as a percentage of net revenue", and "Adjusted Net Income as a percentage of net revenue"; and capital management measures including "capital cash expenditures (net of proceeds from lease incentives)" and "free cash flow." This press release also makes reference to "gross profit margin" as well as "comparable sales" and "comparable sales growth (decline)", which are commonly used operating metrics in the retail industry but may be calculated differently by other retailers. Gross profit margin, comparable sales and comparable sales growth (decline) are considered supplementary financial measures under applicable securities laws. These non-IFRS measures and 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 and retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures and 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. Certain information about non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures is found in the Q2 2024 MD&A and is incorporated by reference. This information is found in the sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures and Retail Industry Metrics" and "Selected Financial Information" of the Q2 2024 MD&A which is available under the Company's profile on SEDAR+ at www.sedarplus.ca. Reconciliations for each non-IFRS financial measure can be found in this press release under the heading "Selected Financial Information".

Forward-Looking Information

Certain statements made in this document may constitute forward-looking information under applicable securities laws. Statements containing forward-looking information are neither historical facts nor assurances of future performance, but instead, provide insights regarding management's current expectations and plans and allows investors and others to better understand the Company's anticipated business strategy, financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Although the Company believes that the forward-looking statements are based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of business, economic, competitive and other risk factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information.

Specific forward-looking information in this document include, but are not limited to, statements relating to:

- our Fiscal 2027 strategic and financial plan,
- our third quarter Fiscal 2024 financial outlook, including our expected outlook for net revenue, gross profit margin, and SG&A as a percent of net revenue,
- our full Fiscal 2024 financial outlook, including our expected outlook for net revenue for full Fiscal 2024, new boutiques and expansions or repositions, gross profit margin, SG&A as a percentage of net revenue, and capital cash expenditures (net of proceeds from lease incentives) and composition thereof,
- our expectations with respect to the re-acceleration of our adjusted EBITDA margin,
- our approach and expectations with respect to boutique growth, expansion and repositions, including boutique payback period expectations,
- our advancement of our eCommerce 2.0 strategy,
- our expectations with respect to our inventory position and normalized markdowns, and
- our expectations for growth and ability to deliver on our goals and priorities.

Particularly, information regarding our expectations of future results, targets, performance achievements, intentions, prospects, opportunities or other characterizations of future events or developments or the markets in which we operate is forward-looking information. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “believes”, or positive or negative variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur”, "continue", or “be achieved”.

Forward-looking statements are based on information currently available to management and on estimates and assumptions, including assumptions about future economic conditions and courses of action. Examples of material estimates and assumptions and beliefs made by management in preparing such forward looking statements include, but are not limited to:

- continued growth across our retail and eCommerce channels,
- continued growth in the United States and Canada,
- general economic and geopolitical conditions, particularly in light of inflationary pressures,
- changes in laws, rules, regulations, and global standards,
- ongoing cost inflationary pressures,
- our competitive position in our industry,
- our ability to keep pace with changing consumer preferences,
- no COVID-19 related restrictions impacting client shopping patterns or incremental direct costs related to health and safety measures,
- our future financial outlook,

– our ability to drive ongoing development and innovation of our exclusive brands and product categories,
– our ability to invest in physical and digital infrastructure to support growth,
– our ability to realize our eCommerce 2.0 roadmap and omni-channel capabilities,
– our expectations for normalized year over year inventory growth and markdown rates,
– our ability to recruit and retain exceptional talent,
– our expectations regarding new boutique openings, expansion and repositioning of existing boutiques, and growth of our boutique network and annual square footage,
– our ability to mitigate business disruptions, including our sourcing and production activities,
– our expectations for capital expenditures,
– our ability to generate positive cash flow,
– anticipated run rate savings from our smart spending initiative,
– availability of sufficient liquidity,
– warehousing costs and expedited freight costs, and
– currency exchange and interest rates.

In addition to the assumptions noted above, specific assumptions in support of our Fiscal 2024 outlook include:
– ongoing inflationary pressures,
– macroeconomic uncertainty,
– missed opportunities in the level of new styles in our product assortment,
– normalized markdowns,
– normalized expedited freight costs,
– anticipated total square footage growth of our boutiques,
– infrastructure investments including our new distribution centre in the Greater Toronto Area, new and repositioned flagship boutiques, expanded office space, and eCommerce technology to drive eCommerce 2.0,
– subsiding transitory warehousing costs in the second half of Fiscal 2024,
– estimated annualized run rate savings of approximately $60 million from our smart spending initiative, with approximately 50% of the benefits expected to be realized in Fiscal 2024, and
– foreign exchange rates for Fiscal 2024: USD:CAD = 1.35.

Given the current challenging operating environment, there can be no assurances regarding: (a) pandemic-related limitations or restrictions that may be placed on servicing our clients or the duration of any such limitations or restrictions; (b) the macroeconomic impacts (including those from the recent COVID-19 pandemic) on Aritzia's business, operations, labour force, supply chain performance and growth strategies; (c) Aritzia's ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) general economic conditions and impacts to consumer discretionary spending and shopping habits (including impacts from changes to interest rate environments); (e) credit, market, currency, commodity market, inflation, interest rates, global supply chains, operational, and liquidity risks generally; (f) geopolitical events; and (g) other risks inherent to Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, performance, 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 our Q2 2024 MD&A and Fiscal 2023 MD&A, and the Company's Fiscal 2023 AIF which are incorporated by reference into this document. A copy of the Q2 2024 MD&A, the Fiscal 2023 MD&A and the Fiscal 2023 AIF and the Company's other publicly filed documents can be accessed under the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company cautions that the foregoing list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. We operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for management to predict all risks, nor assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. 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. The forward-looking information contained in this document represents our expectations as of the date of this document (or as of the date they are otherwise stated to be made) and are subject to change after such date. We disclaim any intention, obligation or undertaking to update or revise any forward-looking information, whether written or oral, as a result of new information, future events or otherwise, except as required under applicable securities laws.

For more information

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Selected Financial Information

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q2 2024		Q2 2023		YTD 2024		YTD 2023	
		% of net revenue		*% of net revenue*		*% of net revenue*		*% of net revenue*
Net revenue	$ 534,191	100.0 %	$ 525,523	100.0 %	$ 996,856	100.0 %	$ 933,433	100.0 %
Cost of goods sold	347,345	65.0 %	305,250	58.1 %	630,059	63.2 %	532,264	57.0 %
Gross profit	186,846	35.0 %	220,273	41.9 %	366,797	36.8 %	401,169	43.0 %
Selling, general and administrative	171,116	32.0 %	147,154	28.0 %	324,575	32.6 %	267,433	28.7 %
Stock-based compensation expense	2,051	0.4 %	8,981	1.7 %	6,979	0.7 %	9,654	1.0 %
Income from operations	13,679	2.6 %	64,138	12.2 %	35,243	3.5 %	124,082	13.3 %
Finance expense	11,793	2.2 %	6,658	1.3 %	23,025	2.3 %	12,706	1.4 %
Other expense (income)	7,288	1.4 %	(6,496)	(1.2)%	(3,083)	(0.3)%	26	0.0 %
Income (loss) before income taxes	(5,402)	(1.0)%	63,976	12.2 %	15,301	1.5 %	111,350	11.9 %
Income tax expense	588	0.1 %	17,715	3.4 %	3,821	0.4 %	31,828	3.4 %
Net income (loss)	$ (5,990)	(1.1)%	$ 46,261	8.8 %	$ 11,480	1.2 %	$ 79,522	8.5 %
Other Performance Measures:								
Year-over-year net revenue growth	1.6%		50.1%		6.8%		56.4%	
Comparable sales growth (decline)[4,5]	(4.3)%		28.3%		(0.7)%		29.0%	
Capital cash expenditures (net of proceeds from lease incentives)[5]	$(45,703)		$ (22,830)		$ (72,207)		$ (47,185)	
Free cash flow[5]	$(75,047)		$ (84,514)		$ (94,976)		$(138,760)	

NET REVENUE BY GEOGRAPHIC LOCATION

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
United States net revenue	$ 278,858	$ 263,188	$ 530,750	$ 469,972
Canada net revenue	255,333	262,335	466,106	463,461
Net revenue	$ 534,191	$ 525,523	$ 996,856	$ 933,433

CONSOLIDATED CASH FLOWS

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Net cash generated from (used in) operating activities	$ (8,789)	$ (40,685)	$ 18,056	$ (50,003)
Net cash generated from (used in) financing activities	74,685	(47,636)	62,070	(92,412)
Cash used in investing activities	(48,543)	(26,320)	(90,384)	(57,572)
Effect of exchange rate changes on cash and cash equivalents	370	707	264	166
Change in cash and cash equivalents	$ 17,723	$ (113,934)	$ (9,994)	$ (199,821)

4 Please see the “Comparable Sales and Comparable Sales Growth (Decline)” section above for more details.
5 Please see the "Non-IFRS Measures and Retail Industry Metrics" section above for more details.

RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA:				
Net income (loss)	$ (5,990)	$ 46,261	$ 11,480	$ 79,522
Depreciation and amortization	14,591	12,504	29,505	24,804
Depreciation on right-of-use assets	24,907	18,908	49,834	36,679
Finance expense	11,793	6,658	23,025	12,706
Income tax expense	588	17,715	3,821	31,828
EBITDA	45,889	102,046	117,665	185,539
Adjustments to EBITDA:				
Stock-based compensation expense	2,051	8,981	6,979	9,654
Rent impact from IFRS 16, Leases[6]	(34,993)	(24,687)	(69,880)	(47,734)
Unrealized loss on equity derivatives contracts	7,794	(3,777)	11,233	4,750
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	—	—	(15,000)	—
CYC Design Corporation ("CYC") integration and acquisition costs	419	—	1,751	—
Adjusted EBITDA	$ 21,160	$ 82,563	$ 52,748	$ 152,209
Adjusted EBITDA as a percentage of net revenue	4.0%	15.7%	5.3%	16.3%
Reconciliation of Net Income (Loss) to Adjusted Net Income:				
Net income (loss)	$ (5,990)	$ 46,261	$ 11,480	$ 79,522
Adjustments to net income:				
Stock-based compensation expense	2,051	8,981	6,979	9,654
Unrealized loss on equity derivatives contracts	7,794	(3,777)	11,233	4,750
Fair value adjustment of NCI in exchangeable shares liability	—	—	(15,000)	—
CYC integration and acquisition costs	419	—	1,751	—
Related tax effects	(859)	(846)	(1,810)	(2,436)
Adjusted Net Income	$ 3,415	$ 50,619	$ 14,633	$ 91,490
Adjusted Net Income as a percentage of net revenue	0.6%	9.6%	1.5%	9.8%
Weighted average number of diluted shares outstanding (thousands)	114,295	114,457	114,547	115,284
Adjusted Net Income per Diluted Share	$ 0.03	$ 0.44	$ 0.13	$ 0.79

[6] Rent impact from IFRS 16, leases

RENT IMPACT FROM IFRS 16, LEASES

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Depreciation of right-of-use assets, excluding fair value adjustments	$ (24,774)	$ (18,775)	$ (49,568)	$ (36,413)
Interest expense on lease liabilities	(10,219)	(5,912)	(20,312)	(11,321)
Rent impact from IFRS 16, leases	$ (34,993)	$ (24,687)	$ (69,880)	$ (47,734)

RECONCILIATION OF COMPARABLE SALES TO NET REVENUE

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Comparable sales	$ 476,287	$ 488,353	$ 882,322	$ 865,219
Non-comparable sales	57,904	37,170	114,534	68,214
Net revenue	$ 534,191	$ 525,523	$ 996,856	$ 933,433

RECONCILIATION OF CASH USED IN INVESTING ACTIVITIES TO CAPITAL CASH EXPENDITURES (NET OF PROCEEDS FROM LEASE INCENTIVES)

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Cash used in investing activities	$ (48,543)	$ (26,320)	$ (90,384)	$ (57,572)
Contingent consideration payout, net relating to the acquisition of CYC	—	—	6,303	5,625
Proceeds from lease incentives	2,840	3,490	11,874	4,762
Capital cash expenditures (net of proceeds from lease incentives)	$ (45,703)	$ (22,830)	$ (72,207)	$ (47,185)

RECONCILIATION OF NET CASH GENERATED FROM OPERATING ACTIVITIES TO FREE CASH FLOW

(unaudited, in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Net cash generated from (used in) operating activities	$ (8,789)	$ (40,685)	$ 18,056	$ (50,003)
Interest paid on credit facilities	1,726	745	2,820	1,384
Proceeds from lease incentives	2,840	3,490	11,874	4,762
Repayments of principal on lease liabilities	(22,281)	(21,744)	(43,645)	(42,956)
Purchase of property, equipment and intangible assets	(48,543)	(26,320)	(84,081)	(51,947)
Free cash flow	$ (75,047)	$ (84,514)	$ (94,976)	$ (138,760)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(interim periods unaudited, in thousands of Canadian dollars)	As at August 27, 2023	As at February 26, 2023	As at August 28, 2022
Assets			
Cash and cash equivalents	$ 76,516	$ 86,510	$ 65,424
Accounts receivable	14,541	18,184	10,123
Income taxes recoverable	26,346	6,419	11,687
Inventory	500,922	467,634	455,109
Prepaid expenses and other current assets	29,643	33,101	33,086
Total current assets	647,968	611,848	575,429
Property and equipment	373,929	308,608	255,813
Intangible assets	85,104	86,382	86,303
Goodwill	198,846	198,846	198,846
Right-of-use assets	617,697	614,061	377,719
Other assets	4,976	3,830	4,319
Deferred tax assets	18,969	12,968	15,944
Total assets	$ 1,947,489	$ 1,836,543	$ 1,514,373
Liabilities			
Bank indebtedness	$ 100,000	$ —	$ —
Accounts payable and accrued liabilities	231,131	221,712	295,595
Current portion of contingent consideration	—	6,619	6,619
Current portion of lease liabilities	125,411	117,316	90,381
Deferred revenue	70,437	71,653	57,256
Total current liabilities	526,979	417,300	449,851
Lease liabilities	660,357	654,690	428,704
Other non-current liabilities	12,270	21,499	19,661
Non-controlling interest in exchangeable shares liability	—	35,500	35,500
Deferred tax liabilities	21,733	21,767	24,438
Total liabilities	1,221,339	1,150,756	958,154
Shareholders' equity			
Share capital	285,406	265,519	249,319
Contributed surplus	86,952	68,682	63,269
Retained earnings	357,593	355,270	245,185
Accumulated other comprehensive loss	(3,801)	(3,684)	(1,554)
Total shareholders' equity	726,150	685,787	556,219
Total liabilities and shareholders' equity	$ 1,947,489	$ 1,836,543	$ 1,514,373

BOUTIQUE COUNT SUMMARY[3]

	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Number of boutiques, beginning of period	115	109	114	106
New boutiques	1	3	2	6
Number of boutiques, end of period	116	112	116	112
Boutiques expanded or repositioned	1	—	1	—