

Aritzia Reports First Quarter Fiscal 2024 Financial Results

Q1 net revenue increased by 13.4% to \$462.7 million
Q1 net income decreased by 47.5% to \$17.5 million
Q1 Adjusted EBITDA¹ decreased by 54.6% to \$31.6 million



VANCOUVER, July 11, 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 first quarter ended May 28, 2023 ("Q1 2024").

"We delivered first quarter net revenue of \$463 million, an increase of 13% on top of strong growth of 65% in the first quarter last year, driven by our growing brand awareness and new client acquisition. Results continued to be fueled by our business in the United States, where first quarter net revenue grew 22% on top of an 81% increase in the first quarter of 2023 and our active client base nearly doubled over the past two years," said Jennifer Wong, Chief Executive Officer. "Our growth was balanced across channels, with net revenue increasing 14% in retail and 13% in eCommerce, highlighting the strength of our multi-channel business."

Ms. Wong added, "While we are seeing a more challenging consumer environment to start the second quarter and have identified opportunities in the level of newness in our product assortment, we remain disciplined in making further progress against our Fiscal 2024 priorities. These priorities include continuing to advance the strategic levers that we expect to fuel our future growth, scaling our infrastructure to match our recent, unprecedented growth, rightsizing our inventory position, and optimizing economies of scale across the business. This will help ensure we are well positioned to deliver sustainable, profitable growth and create meaningful value for our shareholders."

First Quarter Highlights

- **Net revenue** increased 13.4% from Q1 2023² to \$462.7 million, with comparable sales growth¹ of 4.1% compared to Q1 2023
- **United States net revenue** increased 21.8% from Q1 2023 to \$251.9 million, comprising 54.4% of net revenue in Q1 2024
- **Retail net revenue** increased 13.8% from Q1 2023 to \$327.6 million
- **eCommerce net revenue** increased 12.5% from Q1 2023 to \$135.1 million, comprising 29.2% of net revenue in Q1 2024
- **Gross profit margin**¹ decreased 540 bps to 38.9% from 44.3% in Q1 2023
- **Net income** decreased 47.5% from Q1 2023 to \$17.5 million
- **Adjusted EBITDA**¹ decreased 54.6% from Q1 2023 to \$31.6 million
- **Net income per diluted share** of \$0.15 per share, compared to \$0.29 per share in Q1 2023
- **Adjusted Net Income per Diluted Share**¹ of \$0.10 per share, compared to \$0.35 per share in Q1 2023

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", "Non-IFRS Measures and Retail Industry Metrics" and "Selected Financial Information".

² All references in this press release to "Q1 2023" are to our 13-week period ended May 29, 2022, 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, and to "Fiscal 2025" are to our 52-week period ending March 2, 2025.

First Quarter Results Compared to Q1 2023

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

	Q1 2024 13 weeks		Q1 2023 13 weeks		Change	
		% of net revenue		% of net revenue	%	% pts
Retail net revenue	\$ 327,570	70.8 %	\$ 287,824	70.6 %	13.8%	
eCommerce net revenue	135,095	29.2 %	120,086	29.4 %	12.5%	
Net revenue	\$ 462,665	100.0 %	\$ 407,910	100.0 %	13.4%	
Gross profit	\$ 179,951	38.9 %	\$ 180,896	44.3 %	(0.5)%	(5.4)%
Selling, general and administrative ("SG&A")	\$ 153,459	33.2 %	\$ 120,279	29.5 %	27.6%	3.7 %
Net income	\$ 17,470	3.8 %	\$ 33,261	8.2 %	(47.5)%	(4.4)%
Net income per diluted share	\$ 0.15		\$ 0.29		(48.3)%	
Adjusted EBITDA ¹	\$ 31,588	6.8 %	\$ 69,646	17.1 %	(54.6)%	(10.3)%
Adjusted Net Income per Diluted Share ¹	\$ 0.10		\$ 0.35		(71.4)%	

Net revenue increased by 13.4% to \$462.7 million, compared to \$407.9 million in Q1 2023 with comparable sales growth¹ of 4.1% compared to Q1 2023. This is on top of outstanding net revenue growth of 65.2% in Q1 2023. The Company continued to see momentum in the United States, where net revenue increased by 21.8% to \$251.9 million, compared to \$206.8 million in Q1 2023. Net revenue in Canada increased by 4.8% to \$210.8 million, compared to \$201.1 million in Q1 2023.

- **Retail net revenue** increased by 13.8% to \$327.6 million, compared to \$287.8 million in Q1 2023. The increase was led by strong performance of our new and repositioned boutiques. Boutique count³ at the end of Q1 2024 totaled 115 compared to 109 boutiques at the end of Q1 2023.
- **eCommerce net revenue** increased by 12.5% to \$135.1 million, compared to \$120.1 million in Q1 2023, which was fueled by our performance in the United States.

Gross profit decreased by 0.5% to \$180.0 million, compared to \$180.9 million in Q1 2023. Gross profit margin¹ was 38.9%, compared to 44.3% in Q1 2023. The 540 bps decrease in gross profit margin was driven by higher product related costs primarily due to inflationary pressure, 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 27.6% to \$153.5 million, compared to \$120.3 million in Q1 2023. SG&A expenses were 33.2% of net revenue, compared to 29.5% in Q1 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 \$17.5 million, a decrease of 47.5% compared to \$33.3 million in Q1 2023.

Net income per diluted share was \$0.15 per share, a decrease of 48.3% compared to \$0.29 per share in Q1 2023.

Adjusted EBITDA¹ was \$31.6 million or 6.8% of net revenue¹, a decrease of 54.6% compared to \$69.6 million or 17.1% of net revenue¹ in Q1 2023.

Adjusted Net Income¹ was \$11.2 million, a decrease of 72.6% compared to \$40.9 million in Q1 2023.

Adjusted Net Income per Diluted Share¹ was \$0.10 per share, a decrease of 71.4% compared to \$0.35 per share in Q1 2023.

³ There were four Reigning Champ boutiques as at May 28, 2023 and May 29, 2022 which are excluded from the boutique count.

Cash and cash equivalents at the end of Q1 2024 totaled \$58.8 million compared to \$179.4 million at the end of Q1 2023.

Inventory at the end of Q1 2024 was \$485.0 million, an increase of 62.4% compared to \$298.6 million at the end of Q1 2023. The Company remains on track for its inventory to normalize by the end of the second quarter of Fiscal 2024 and expects normalized markdowns in Fiscal 2024 to be no greater than pre-pandemic levels.

Capital cash expenditures (net of proceeds from lease incentives)¹ were \$26.5 million in Q1 2024, compared to \$24.4 million in Q1 2023. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers, support offices and technology infrastructure.

Outlook

Aritzia saw a deceleration in traffic trends beginning the first week of June, which management believes reflects macroeconomic pressure on the consumer as well as opportunities in the level of newness in its product assortment. The Company expects net revenue in the second quarter of Fiscal 2024 to be flat to slightly down compared to the second quarter of Fiscal 2023 on top of strong growth of 50% in the second quarter last year and 75% in the second quarter of Fiscal 2022. The Company also expects gross profit margin to decrease by 750 bps and SG&A as a percent of net revenue to increase by 550 bps in the second quarter of Fiscal 2024 compared to the second quarter of Fiscal 2023.

Given trends in the second quarter to date and the macro uncertainty for the remainder of the year, Aritzia currently expects the following for Fiscal 2024:

- Net revenue in the range of \$2.25 billion to \$2.35 billion⁴, representing an increase of approximately 2% to 7% from Fiscal 2023 including the 53rd week. This reflects macroeconomic pressure on the consumer, as well as opportunities in the level of newness in its product assortment, and includes the contribution from retail expansion with:
 - Eight new boutiques, including one boutique already opened in Q1 2024, and four boutique expansions or repositions, all of which are located in the United States. 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 bps⁵ 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. The additional pressure compared to the prior outlook is a result of the deleverage on fixed costs due to the lower net revenue forecast.
- SG&A as a percent of net revenue to increase by approximately 300 bps⁶ 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. The additional pressure compared to the prior outlook is a result of the deleverage on fixed costs due to the lower net revenue forecast.
- 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 first quarter of Fiscal 2024 dated July 11, 2023 (the "Q1 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

⁴ Compared to the Company's previous outlook for net revenue of \$2.42 billion to \$2.5 billion.

⁵ Compared to the Company's previous outlook for gross profit margin of 200 bps.

⁶ Compared to the Company's previous outlook for SG&A as a percent of net revenue of 150 bps.

press release is available on SEDAR under the Company's profile at www.SEDAR.com and on our website at investors.aritzia.com.

Normal Course Issuer Bid

On January 18, 2023, the Company announced that the TSX had accepted our notice of intention to proceed with a normal course issuer bid (the "2023 NCIB") to repurchase and cancel up to 3,860,745 of its subordinate voting shares, representing approximately 5% of the public float of 77,214,916 subordinate voting shares, over the 12-month period commencing January 20, 2023 and ending January 19, 2024.

On February 3, 2023, the Company announced it had entered into an automatic share purchase plan with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the 2023 NCIB during predetermined blackout periods.

Between January 20, 2023 and July 10, 2023, the Company repurchased a total of 282,300 subordinate voting shares for cancellation at an average price of \$35.36 per subordinate voting share for total cash consideration of \$10.0 million under the 2023 NCIB.

Early 100% Acquisition of CYC

On May 26, 2023, the Company acquired the remaining 25% ownership interest in CYC Design Corporation ("CYC") (the "CYC Transaction"). As part of the CYC Transaction, the Company revalued the non-controlling interest in exchangeable shares liability to \$20.5 million as at May 26, 2023 which resulted in a \$15.0 million gain recorded in other expense (income). Subsequent to the remeasurement, the non-controlling interest in exchangeable shares liability was settled and reduced to nil (February 26, 2023 - \$35.5 million). The Company issued 419,047 subordinate voting shares to the selling shareholders on May 26, 2023 with a value of \$15.4 million based on the market closing price of the subordinate voting shares on such date. In addition, the Company may issue to the selling shareholders, by March 31, 2026, additional subordinate voting shares with an estimated value of up to \$9.4 million based on certain operational performance metrics of the Reigning Champ brand.

Conference Call Details

A conference call to discuss the Company's first quarter results is scheduled for Tuesday, July 11, 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 <http://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 0239. 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 110+ boutiques throughout Canada and the United States to everyone, everywhere.

Everyday Luxury. To Elevate Your World.™

Comparable Sales and Comparable Sales Growth

Comparable sales and comparable sales growth are retail industry metrics used to explain our total combined revenue growth 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", 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 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 Q1 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 Q1 2024 MD&A which is available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. 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 second 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 gross profit margin pressures in the near term,
- our approach and expectations with respect to boutique growth, expansion and repositions, including boutique payback period expectations,
- our eCommerce growth and enhancement of our eCommerce capabilities and omni-channel experience,
- our ability to maintain momentum in our business and advance our strategic growth levers including geographic expansion, eCommerce growth and increased brand awareness, and the anticipated results therefrom,
- our plans relating to our new distribution facilities, expansion and use of existing facilities and the anticipated results therefrom,
- our expectations with respect to our inventory position and normalized markdowns,

- our plans to build and scale our infrastructure to match growth trends, including our plans with respect to our key infrastructure investments,
- our ability to generate cost savings,
- our ability to deliver sustainable, profitable growth and create value for our shareholders,
- additional subordinate voting shares which may be issuable to the selling shareholders of CYC by March 31, 2026, and
- our normal course issuer bid and future purchases of subordinate voting shares.

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 cost efficiencies from optimization of our processes,
- 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,
- opportunities in the level of newness 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, 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; (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 Q1 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 Q1 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 the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or any successor or replacement thereof.

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)

	Q1 2024 13 Weeks		Q1 2023 13 Weeks	
		% of net revenue		% of net revenue
Net revenue	\$462,665	100.0%	\$407,910	100.0%
Cost of goods sold	282,714	61.1%	227,014	55.7%
Gross profit	179,951	38.9%	180,896	44.3%
Operating expenses				
Selling, general and administrative	153,459	33.2%	120,279	29.5%
Stock-based compensation expense	4,928	1.1%	673	0.2%
Income from operations	21,564	4.7%	59,944	14.7%
Finance expense	11,232	2.4%	6,048	1.5%
Other expense (income)	(10,371)	(2.2)%	6,522	1.6%
Income before income taxes	20,703	4.5%	47,374	11.6%
Income tax expense	3,233	0.7%	14,113	3.5%
Net income	\$ 17,470	3.8%	\$ 33,261	8.2%
Other Performance Measures:				
Year-over-year net revenue growth	13.4%		65.2%	
Comparable sales growth ^{7,8}	4.1%		29.4%	
Capital cash expenditures (net of proceeds from lease incentives) ⁵	\$ (26,504)		\$ (24,355)	
Free cash flow ⁸	\$ (19,929)		\$ (54,246)	

NET REVENUE BY GEOGRAPHIC LOCATION

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks		Q1 2023 13 Weeks	
United States net revenue	\$	251,892	\$	206,784
Canada net revenue	\$	210,773	\$	201,126
Net revenue	\$	462,665	\$	407,910

CONSOLIDATED CASH FLOWS

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks		Q1 2023 13 Weeks	
Net cash generated from (used in) operating activities	\$	26,845	\$	(9,318)
Net cash used in financing activities		(12,615)		(44,776)
Cash used in investing activities		(41,841)		(31,252)
Effect of exchange rate changes on cash and cash equivalents		(106)		(541)
Change in cash and cash equivalents	\$	(27,717)	\$	(85,887)

⁷ Please see the "Comparable Sales and Comparable Sales Growth" section above for more details.

⁸ 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)

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:		
Net income	\$ 17,470	\$ 33,261
Depreciation and amortization	14,914	12,300
Depreciation on right-of-use assets	24,927	17,771
Finance expense	11,232	6,048
Income tax expense	3,233	14,113
EBITDA	71,776	83,493
Adjustments to EBITDA:		
Stock-based compensation expense	4,928	673
Rent impact from IFRS 16, Leases ⁹	(34,887)	(23,047)
Unrealized loss on equity derivatives contracts	3,439	8,527
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	(15,000)	—
CYC integration and acquisition costs	1,332	—
Adjusted EBITDA	\$ 31,588	\$ 69,646
Adjusted EBITDA as a percentage of net revenue	6.8%	17.1%
Reconciliation of Net Income to Adjusted Net Income:		
Net income	\$ 17,470	\$ 33,261
Adjustments to net income:		
Stock-based compensation expense	4,928	673
Unrealized loss on equity derivatives contracts	3,439	8,527
Fair value adjustment of NCI in exchangeable shares liability	(15,000)	—
CYC integration and acquisition costs	1,332	—
Related tax effects	(951)	(1,590)
Adjusted Net Income	\$ 11,218	\$ 40,871
Adjusted Net Income as a percentage of net revenue	2.4%	10.0%
Weighted average number of diluted shares outstanding (thousands)	114,793	116,080
Adjusted Net Income per Diluted Share	\$ 0.10	\$ 0.35

⁹ Rent impact from IFRS 16, leases

RENT IMPACT FROM IFRS 16, LEASES

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Depreciation of right-of-use assets, excluding fair value adjustments	\$ (24,794)	\$ (17,638)
Interest expense on lease liabilities	(10,093)	(5,409)
Rent impact from IFRS 16, leases	\$ (34,887)	\$ (23,047)

RECONCILIATION OF COMPARABLE SALES TO NET REVENUE

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Comparable sales	\$ 406,035	\$ 376,867
Non-comparable sales	56,630	31,043
Net revenue	\$ 462,665	\$ 407,910

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

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Cash used in investing activities	\$ (41,841)	\$ (31,252)
Contingent consideration payout, net relating to the acquisition of CYC	6,303	5,625
Proceeds from lease incentives	9,034	1,272
Capital cash expenditures (net of proceeds from lease incentives)	\$ (26,504)	\$ (24,355)

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

(unaudited, in thousands of Canadian dollars)

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Net cash generated from (used in) operating activities	\$ 26,845	\$ (9,318)
Interest paid on credit facilities	1,094	639
Proceeds from lease incentives	9,034	1,272
Repayments of principal on lease liabilities	(21,364)	(21,212)
Purchase of property, equipment and intangible assets	(35,538)	(25,627)
Free cash flow	\$ (19,929)	\$ (54,246)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(interim periods unaudited, in thousands of Canadian dollars)

	As at May 28, 2023	As at February 26, 2023	As at May 29, 2022
Assets			
Cash and cash equivalents	\$ 58,793	\$ 86,510	\$ 179,358
Accounts receivable	11,328	18,184	9,081
Income taxes recoverable	8,338	6,419	10,660
Inventory	485,012	467,634	298,648
Prepaid expenses and other current assets	31,697	33,101	25,754
Total current assets	595,168	611,848	523,501
Property and equipment	339,722	308,608	234,968
Intangible assets	85,597	86,382	86,855
Goodwill	198,846	198,846	198,846
Right-of-use assets	585,185	614,061	354,743
Other assets	5,075	3,830	4,462
Deferred tax assets	19,483	12,968	17,159
Total assets	\$ 1,829,076	\$ 1,836,543	\$ 1,420,534
Liabilities			
Accounts payable and accrued liabilities	240,384	221,712	264,439
Income taxes payable	1,170	—	—
Current portion of contingent consideration	—	6,619	6,619
Current portion of lease liabilities	121,852	117,316	86,832
Deferred revenue	68,397	71,653	52,750
Total current liabilities	431,803	417,300	410,640
Lease liabilities	627,987	654,690	409,798
Other non-current liabilities	15,894	21,499	20,240
Non-controlling interest in exchangeable shares liability	—	35,500	35,500
Deferred tax liabilities	22,216	21,767	24,741
Total liabilities	1,097,900	1,150,756	900,919
Shareholders' equity			
Share capital	284,477	265,519	248,991
Contributed surplus	80,118	68,682	59,129
Retained earnings	369,939	355,270	212,443
Accumulated other comprehensive loss	(3,358)	(3,684)	(948)
Total shareholders' equity	731,176	685,787	519,615
Total liabilities and shareholders' equity	\$ 1,829,076	\$ 1,836,543	\$ 1,420,534

BOUTIQUE COUNT SUMMARY³

	Q1 2024 13 Weeks	Q1 2023 13 Weeks
Number of boutiques, beginning of period	114	106
New boutiques	1	3
Number of boutiques, end of period	115	109
Boutiques expanded or repositioned	—	—