ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarter Ended September 1, 2024

October 10, 2024

The following Management's Discussion and Analysis ("MD&A") dated October 10, 2024 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the 13-week and 26-week periods ended September 1, 2024. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and accompanying notes for Q2 2025 and YTD 2025 (as hereinafter defined) and the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2024 (as hereinafter defined).

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 and anticipated results therefrom,
- our expectations as to the Company's Fiscal 2025 financial outlook,
- our approach and expectations with respect to boutique growth, expansion and enhancements, including expectations regarding returns on capital, boutique payback period expectations and timing of openings,
- our eCommerce growth, including our plans to deliver our eCommerce 2.0 strategy, invest in our digital capabilities, and the anticipated results therefrom,
- our expectations with respect to our omni-channel capabilities including the anticipated results therefrom,
- our ability to maintain momentum in our business and advance our strategic growth levers including geographic expansion, eCommerce growth and increased brand awareness,
- our continued monitoring and diversification of our supplier base, our vendor self-certification process and the anticipated results therefrom,
- our expectations and plans regarding the construction, completion and future operation of our new distribution facility in Delta, British Columbia, plans relating to the use of our current facility in New Westminster, British Columbia, our expansion and retrofitting plans for our distribution facility in Columbus, Ohio, and the anticipated results therefrom,
- our expectations with respect to liquidity,
- our use of financial instruments and risk mitigation strategies,
- our future investment opportunities,
- our ability to optimize inventory levels and maximize full-price sales,
- our response to consumer trends and produce enduring client loyalty,
- the number of subordinate voting shares which may be purchased under the 2024 NCIB (as defined herein), and
- our environmental, social and governance initiatives.

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:

- anticipated growth across our retail and eCommerce channels,
- anticipated growth in the United States and Canada,
- general economic and geopolitical conditions,
- changes in laws, rules, regulations, and global standards,
- our competitive position in our industry,
- our ability to keep pace with changing consumer preferences,
- no pandemic 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 realize our eCommerce 2.0 strategy and optimize our omni-channel capabilities,
- our expectations for optimized inventory composition,
- our ability to recruit and retain exceptional talent,
- our expectations regarding new boutique openings, repositioning of existing boutiques, and the timing thereof, 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.

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 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 this MD&A and the Company's annual information form for Fiscal 2024 (the "AIF") which are incorporated by reference into this document. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Data Analysis and Retrieval + ("SEDAR+") at www.sedarplus.com.

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.

BASIS OF PRESENTATION

Our audited annual consolidated financial statements and unaudited condensed interim consolidated financial statements (together, the “consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS") and International Accounting Standard ("IAS") 34, respectively, using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated. We manage our business on the basis of one operating and reportable segment.

All references in this MD&A to “Q2 2025” are to our 13-week period ended September 1, 2024, to "YTD 2025" are to our 26-week period ended September 1, 2024, to “Q2 2024” are to our 13-week period ended August 27, 2023 and to "YTD 2024" are to our 26-week period ended August 27, 2023. All references in this MD&A to "Fiscal 2027" are to our 52-week period ending February 28, 2027, to "Fiscal 2026" are to our 52-week period ending March 1, 2026, to “Fiscal 2025” are to our 52-week period ending March 2, 2025, to “Fiscal 2024” are to our 53-week period ended March 3, 2024, to "Fiscal 2023" are to our 52-week period ended February 26, 2023 and "Fiscal 2022" are to our 52-week period ended February 27, 2022.

The unaudited condensed interim consolidated financial statements and accompanying notes for Q2 2025 and YTD 2025 and this MD&A were authorized for issue by the Audit Committee on behalf of the Company’s Board of Directors (the "Board of Directors") on October 10, 2024.

Documents referenced herein are not incorporated by reference into this MD&A, unless such incorporation by reference is explicit.

OVERVIEW

Aritzia is a design house with an innovative global platform. We are creators and purveyors of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We’re about good design, quality materials and timeless style — all with the wellbeing of our People and Planet in mind.

Founded in 1984 in Vancouver, Canada, we pride ourselves on creating immersive, highly personalized shopping experiences at aritzia.com and in our 120+ boutiques throughout North America — for everyone, everywhere.

Our Approach

Aritzia means style, not trend, and quality over everything. We treat each in-house label as its own atelier, united by premium fabrics, meticulous construction and an of-the-moment point of view. We handpick fabrics from the world’s best mills for their feel, function and ability to last. We obsess over proportion, fit and that just-right silhouette. From hand-painted prints to the art of pocket placement, our innovative design studio considers and reconsiders each detail to create essentials you’ll reach for again, and again, and again.

Everyday Luxury. To Elevate Your World.™

RECENT EVENTS

Normal Course Issuer Bid ("NCIB")

On January 18, 2024, the Company announced that the Toronto Stock Exchange ("TSX") had accepted its notice of intention to proceed with an NCIB ("2024 NCIB") to repurchase and cancel up to 3,515,740 of its subordinate voting shares, representing approximately 5% of the public float of 70,314,808 subordinate voting shares, during the 12-month period commencing January 22, 2024 and ending January 21, 2025.

On February 21, 2024, 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 2024 NCIB during predetermined blackout periods.

Between January 22, 2024 and October 9, 2024, no subordinate voting shares were repurchased for cancellation under the 2024 NCIB.

FINANCIAL HIGHLIGHTS

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

Q2 2025

For Q2 2025, compared to Q2 2024:

- **Net revenue** increased 15.3% to $615.7 million, with comparable sales[1] growth of 6.5%
- **United States net revenue** increased 23.9% to $345.4 million, comprising 56.1% of net revenue
- **Retail net revenue** increased 17.6% to $425.6 million
- **eCommerce net revenue** increased 10.4% to $190.0 million, comprising 30.9% of net revenue
- **Gross profit margin**[1] increased 520 bps to 40.2% from 35.0%
- **Selling, general and administrative expenses** as a percentage of net revenue increased 40 bps to 32.4% from 32.0%
- **Adjusted EBITDA**[1] increased 160.7% to $55.2 million. **Adjusted EBITDA[1]** as a percentage of net revenue increased 500 bps to 9.0% from 4.0%
- **Net income** increased 404.6% to $18.2 million, or 3.0% as a percentage of net revenue. **Net income (loss) per diluted share** was $0.16 per share, compared to $(0.05) per share
- **Adjusted Net Income**[1] increased 618.5% to $24.5 million. **Adjusted Net Income per Diluted Share**[1] was $0.21 per share, compared to $0.03 per share

YTD 2025

For YTD 2025, compared to YTD 2024:

- **Net revenue** increased 11.8% to $1.1 billion, with comparable sales[1] growth of 4.4%
- **United States net revenue** increased 18.7% to $630.1 million, comprising 56.5% of net revenue
- **Retail net revenue** increased 13.6% to $783.5 million
- **eCommerce net revenue** increased 7.7% to $330.8 million, comprising 29.7% of net revenue
- **Gross profit margin**[1] increased 510 bps to 41.9% from 36.8%
- **Selling, general and administrative expenses** as a percentage of net revenue increased 110 bps to 33.7% from 32.6%
- **Adjusted EBITDA**[1] increased 106.7% to $109.0 million. **Adjusted EBITDA[1]** as a percentage of net revenue increased 450 bps to 9.8% from 5.3%
- **Net income** increased 196.9% to $34.1 million, or 3.1% as a percentage of net revenue. **Net income per diluted share** of $0.30 per share, compared to $0.10 per share
- **Adjusted Net Income**[1] increased 238.4% to $49.5 million. **Adjusted Net Income per Diluted Share**[1] of $0.43 per share, compared to $0.13 per share

OUTLOOK

A discussion of management's expectations as to the Company's financial outlook for Fiscal 2025 is contained in the Company's press release dated October 10, 2024, "Aritzia Reports Second Quarter Fiscal 2025 Financial Results" under the heading "Outlook". 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". These press releases are available on SEDAR+ at www.sedarplus.com under the Company's profile and on our website at investors.aritzia.com.

[1] See the sections below entitled "How We Assess the Performance of our Business", "Selected Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" for further details concerning gross profit margin, comparable sales, Adjusted EBITDA, Adjusted EBITDA as a percentage of net revenue, Adjusted Net Income and Adjusted Net Income per Diluted Share including definitions and reconciliations of each non-IFRS financial measure to the relevant reported IFRS financial measure. Non-IFRS financial measures and non-IFRS ratios do not have a standardized meaning under IFRS, which is used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities.

SELECTED FINANCIAL INFORMATION

The following table summarizes our recent results of operations for the periods indicated.

Selected Consolidated Financial Information				
(unaudited, in thousands of Canadian dollars, unless otherwise noted)	**Q2 2025**	**Q2 2024**	**YTD 2025**	**YTD 2024**
Financial Summary:				
Net revenue	$ 615,663	$ 534,191	$ 1,114,293	$ 996,856
Cost of goods sold	368,177	347,345	647,263	630,059
Gross profit	247,486	186,846	467,030	366,797
Selling, general and administrative	199,502	171,116	375,792	324,575
Stock-based compensation expense	13,426	2,051	20,753	6,979
Income from operations	34,558	13,679	70,485	35,243
Finance expense	12,842	11,793	25,423	23,025
Other expense (income)	(5,529)	7,288	(5,491)	(3,083)
Income (loss) before income taxes	27,245	(5,402)	50,553	15,301
Income tax expense	8,998	588	16,473	3,821
Net income (loss)	$ 18,247	$ (5,990)	$ 34,080	$ 11,480
Net income (loss) per diluted share	$ 0.16	$ (0.05)	$ 0.30	$ 0.10
Adjusted EBITDA[2]	$ 55,167	$ 21,160	$ 109,044	$ 52,748
Adjusted Net Income[2]	$ 24,536	$ 3,415	$ 49,524	$ 14,633
Adjusted Net Income per Diluted Share[2]	$ 0.21	$ 0.03	$ 0.43	$ 0.13
Weighted average number of diluted shares outstanding (thousands)	116,035	114,295	115,412	114,547
Cash and cash equivalents	$ 103,983	$ 76,516	$ 103,983	$ 76,516
Capital cash expenditures (net of proceeds from lease incentives)[2]	$ (49,670)	$ (45,703)	$ (105,227)	$ (72,207)
Free cash flow[2]	$ (5,727)	$ (75,047)	$ (73,996)	$ (94,976)
Percentage of Net Revenue:				
Gross profit	40.2%	35.0%	41.9%	36.8%
Selling, general and administrative	32.4%	32.0%	33.7%	32.6%
Net income (loss)	3.0%	(1.1)%	3.1%	1.2%
Adjusted EBITDA[2]	9.0%	4.0%	9.8%	5.3%
Adjusted Net Income [2]	4.0%	0.6%	4.4%	1.5%
Other Metrics:				
Year-over-year net revenue growth (decline)	15.3%	1.6%	11.8%	6.8%
Comparable sales[2] growth (decline)	6.5%	(4.3)%	4.4%	(0.7)%

The following tables provide selected consolidated financial position information for the periods indicated.

Selected Consolidated Financial Position Information		
(in thousands of Canadian dollars, unless otherwise noted)	**As at September 1, 2024**	**As at March 3, 2024**
	(unaudited)	
Total assets	$2,213,460	$1,946,133
Total non-current liabilities	829,397	735,206

[2] Please see the sections titled "Selected Financial Information", “How We Assess the Performance of Our Business” and "Non-IFRS Measures and Retail Industry Metrics" of this MD&A for further details on these financial and operating measures.

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share for the periods indicated.

Reconciliation to Non-IFRS Financial Measures

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA:				
Net income (loss)	$ 18,247	$ (5,990)	$ 34,080	$ 11,480
Depreciation and amortization	19,496	14,591	38,777	29,505
Depreciation on right-of-use assets	26,982	24,907	53,231	49,834
Finance expense	12,842	11,793	25,423	23,025
Income tax expense	8,998	588	16,473	3,821
EBITDA	86,565	45,889	167,984	117,665
Adjustments to EBITDA:				
Stock-based compensation expense	13,426	2,051	20,753	6,979
Rent impact from IFRS 16, Leases[3]	(38,693)	(34,993)	(76,477)	(69,880)
Unrealized loss (gain) on equity derivative contracts	(6,507)	7,794	(5,837)	11,233
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	—	—	—	(15,000)
CYC Design Corporation ("CYC") related costs and other expenses	376	419	2,621	1,751
Adjusted EBITDA	55,167	21,160	$ 109,044	$ 52,748
Adjusted EBITDA as a percentage of net revenue	9.0%	4.0%	9.8%	5.3%
Reconciliation of Net Income (Loss) to Adjusted Net Income:				
Net income (loss)	$ 18,247	$ (5,990)	$ 34,080	$ 11,480
Adjustments to net income (loss):				
Stock-based compensation expense	13,426	2,051	20,753	6,979
Unrealized loss (gain) on equity derivative contracts	(6,507)	7,794	(5,837)	11,233
Fair value adjustment of NCI in exchangeable shares liability	—	—	—	(15,000)
CYC related costs and other expenses	376	419	2,621	1,751
Related tax effects	(1,006)	(859)	(2,093)	(1,810)
Adjusted Net Income	$ 24,536	$ 3,415	$ 49,524	$ 14,633
Adjusted Net Income as a percentage of net revenue	4.0%	0.6%	4.4%	1.5%
Weighted average number of diluted shares outstanding (thousands)	116,035	114,295	115,412	114,547
Adjusted Net Income per Diluted Share	$ 0.21	$ 0.03	$ 0.43	$ 0.13

[3] See Rent Impact from IFRS 16, Leases below

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Depreciation on right-of-use assets, excluding fair value adjustments	$ (26,743)	$ (24,774)	$ (52,859)	$ (49,568)
Interest expense on lease liabilities	(11,950)	(10,219)	(23,618)	(20,312)
Rent impact from IFRS 16, Leases	$ (38,693)	$ (34,993)	$ (76,477)	$ (69,880)

The following table reconciles comparable sales to net revenue for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Comparable sales[4]	$ 548,866	$ 476,287	$ 1,002,032	$ 882,322
Non-comparable sales	66,797	57,904	112,261	114,534
Net revenue	$ 615,663	$ 534,191	$ 1,114,293	$ 996,856

The following table reconciles cash used in investing activities to capital cash expenditures (net of proceeds from lease incentives) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Cash used in investing activities	$ (51,729)	$ (48,543)	$ (112,077)	$ (90,384)
Contingent consideration payout, net relating to the acquisition of CYC	—	—	—	6,303
Proceeds from lease incentives	2,059	2,840	6,850	11,874
Capital cash expenditures (net of proceeds from lease incentives)	$ (49,670)	$ (45,703)	$ (105,227)	$ (72,207)

The following table reconciles net cash generated from operating activities to free cash flow for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Net cash generated from operating activities	$ 70,022	$ (8,789)	$ 82,294	$ 18,056
Interest paid	817	1,726	1,655	2,820
Proceeds from lease incentives	2,059	2,840	6,850	11,874
Repayments of principal on lease liabilities	(26,896)	(22,281)	(52,718)	(43,645)
Purchase of property, equipment and intangible assets	(51,729)	(48,543)	(112,077)	(84,081)
Free cash flow	$ (5,727)	$ (75,047)	$ (73,996)	$ (94,976)

SUMMARY OF FACTORS AFFECTING PERFORMANCE

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

Our Brand and Products

Our exclusive mix of fashion brands offer a strategic and thoughtfully conceived, designed, and developed collection of products. In addition to our exclusive fashion brands, we also position product under the Aritzia brand. Aritzia-branded products are beloved styles and fabrics that — of everything we make — are the most iconically Aritzia. We believe that a key area of differentiation for us is that we design apparel and accessories to enable us to reach many different groups of clients. Our sourcing and manufacturing strategy gives us control over our supply chain and provides us with the flexibility to optimize our brand mix as needed to address changes in client demand and fashion preferences. This has been critical to our ability to grow while also reducing risk.

[4] Comparable sales in each respective period reflects total combined net revenue from eCommerce and established boutiques that fall within the comparable sales base during the respective period. See the section titled "How We Assess the Performance of our Business" and "non-IFRS Measures and Retail Industry Metrics" of this MD&A for further details.

Our exclusive mix of fashion brands and products are supported by in-house design teams focused on creating beautiful, quality products that align with the unique positioning, look and feel of each brand. Each of our exclusive mix of fashion brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to Everyday Luxury product using superior fabrics, meticulous construction and relevant, effortless design.

Our exclusive mix of fashion brands and products currently represent approximately 96% of Aritzia's net revenue. Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, shorts, skirts, dresses, denim, accessories, and Reigning Champ men's wear for each season. We strive to maintain a flexible mix of historically successful items and new seasonal styles. Our changing product mix is a blended reflection of client demands and fashion direction. This strategic mix helps us to drive client conversion by delivering fashion must-haves, while still generating a meaningful proportion of revenue from our fashion essentials. We complement our exclusive product mix with a strategically chosen selection of premium denim, accessories and footwear from leading contemporary, third-party brands. Our expansive and diverse range of fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for our clients, producing strong and enduring client loyalty.

Product Strategy

We control the design, merchandise planning, sourcing, production and retail functions of our exclusive brands and complement this with third-party brands as appropriate. Product design and quality are meticulously evaluated and controlled by us, from fabrics to trims, and styling to fit.

Creative Development

We have talented teams of designers who focus on creating products featuring high quality fabrics, considered detailing and sophisticated construction. Our product design and development process builds on client favourites while taking new fashion trends into account with the goal of creating fashion must-haves each season. Our strategy centers on our ability to create enough new styles to maintain freshness in our assortment over time. Our technical team ensures all products are executed in a manner that is consistent with our design and delivers superior fit and sophisticated construction in the production of our exclusive brands. We partner with high quality mills and suppliers to create and sample garments, which are fit-tested before production. We strive to ensure that the quality of our raw materials and the finished product are all held to our Everyday Luxury standards and the expectations of our clients.

Merchandise Planning

Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined for 40 years.

We generate a meaningful proportion of revenue from our client favourites while helping to drive excitement through new seasonal product assortment. We analyze sales data in order to make inventory adjustments and to respond to the latest trends.

Our inventory management processes and systems provide us with the ability to optimize inventory across geographies and channels to ensure that each boutique and aritzia.com is merchandised with products that resonate with local preferences. We actively monitor sell-through rates and manage the mix of product categories in our boutiques and aritzia.com. We endeavour to respond to emerging trends in a timely manner, minimize our dependence on any particular category, style or fabrication and preserve a balanced, coordinated presentation of merchandise within each boutique while striving to offer our client the entire assortment online. We believe that our disciplined merchandise planning strategy allows us to optimize inventory levels and maximize full-price sales.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands who provide us with the flexibility to source high quality materials and products at competitive costs. We believe that our approach of sourcing a majority of our raw materials and working directly with suppliers and manufacturers enhances our ability to create beautiful and high-quality products in a timely manner.

We source the majority of our raw materials directly from mills, trim suppliers and manufacturers, which we believe to be best in class, located primarily in China, India, Italy, Japan, South Korea, and Taiwan that uphold our standards for quality, lead time and cost. Our finished goods are sourced from manufacturers located in Austria, Cambodia, China, Guatemala, India, Italy, Peru, Philippines, Portugal, Romania, Slovenia, Sri Lanka, Turkey, U.S.

and Vietnam. We continue to monitor and diversify our supplier base, taking into consideration the geo-political and economic environment to mitigate risk. Capacity planning with our manufacturers is done at the beginning of the season to help ensure flexibility. We engage third parties to inspect our manufacturers' factories to help ensure quality control and engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards. We have launched a vendor self-certification process for quality assurance and inspection. We believe this will help ensure a greater execution of our quality expectations and to allow for vendors to reduce cycle time. We have implemented a Supplier Code of Conduct and initiatives to increase transparency with respect to the origins of our raw materials.

Boutiques

We have developed our boutique network in a measured and disciplined manner. We have a portfolio of boutiques situated in premier real estate locations in high performing retail malls and high streets in Canada and the United States. Our strong boutique sales productivity continues to make us a sought-after tenant for top quality locations in premier shopping destinations. In addition to opening new boutiques, we generate attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique repositions. We continue to elevate our boutique design and believe we deliver a fully immersive experience including enhancing the sensory experience by adding A-OK cafes in select boutiques.

The following table summarizes the change in Aritzia's boutique count for the periods indicated (excluding Reigning Champ brand boutiques).

	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Number of boutiques, beginning of period	119	115	119	114
New boutiques	3	1	3	2
Number of boutiques, end of period	122	116	122	116
Repositioned boutiques	—	1	1	1

In addition, there were four Reigning Champ brand boutiques as at September 1, 2024 and August 27, 2023.

eCommerce Growth

We continue to invest in our digital capabilities to support our eCommerce business, and we plan to fuel eCommerce growth by delivering against our Aritzia eCommerce 2.0 strategy, featuring tailored product discovery, creative innovation, and intuitive experiences. We aspire to connect clients to Everyday Luxury, offering beautiful product, tailored experiences, and endless inspiration to be a leading eCommerce business.

The strategy behind Aritzia eCommerce 2.0 has the following components, which is our value proposition that we believe highlights our unique competitive advantage:

- *We plan to deliver tailored product discovery:* We plan to enable clients to discover all we have to offer, while personalizing suggestions for their individual taste, style and preferences. We have made significant progress leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our clients. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and client loyalty. Aritzia.com showcases our entire product assortment, and our brands are designed for a segment of our overall client base. We also plan to increase our online exclusive assortment, offering unique benefits for our clients to shop online. We aim to inspire the client to discover our diverse assortment, while content is tailored to their individual style and preferences to keep them engaged.

- *We plan to deliver creative innovation:* With an emphasis on form, creative innovation keeps our eCommerce experience at the forefront of cool. This extends to service, operations and technology. We aim to continuously raise the bar across both form and function. Whether it be aspirational site design, how we merchandise, captivating content and communications, or coming up with a creative technology solution – we plan to redefine the norms.

- *We plan to deliver an intuitive experience:* Our eCommerce platform aims to provide our clients further ease of use at all touchpoints. A word that is often used to describe Everyday Luxury is effortless, and this is the digital interpretation. We strive to offer a seamless, integrated, and highly shoppable experience. Aritzia is focused on improving the digital experience across all devices (e.g., desktop, mobile, tablet) to work towards making shopping even more frictionless than it is today. The core areas of our client's digital journey including discovery, evaluating, and purchase are continuously improved.

Distribution Facilities

Our current distribution network consists of three distribution centres, two in Canada and one in the United States, that are well positioned to service our boutiques and eCommerce business. Our distribution centres include a 223,000 square foot facility in New Westminster, British Columbia, our recently opened 550,000 square foot facility in Vaughan, Ontario, and a 560,000 square foot third-party facility in Columbus, Ohio.

We operate our distribution centres located in New Westminster, British Columbia and Vaughan, Ontario, while the distribution centre located in Columbus, Ohio is operated by a third-party logistics provider. Our inventory is centrally managed and shared amongst our boutiques and eCommerce business.

In Fiscal 2024, we opened our 550,000 square foot distribution centre in Vaughan, Ontario. This new facility is in-sourced and replaces our previous 150,000 square foot facility operated by a third-party logistics provider in Mississauga, Ontario.

In Fiscal 2024, construction commenced on a new 380,000 square foot facility in Delta, British Columbia. When completed, this new facility will be operated by us and is expected to be operational in late Fiscal 2026. We plan to retain our current facility in New Westminster, British Columbia for storage and office space purposes, among other things. We plan on implementing increased automation, including robotic equipment in this new facility to increase our efficiencies and throughput.

In Fiscal 2024, we expanded and took over the entire building in our Columbus, Ohio distribution centre, resulting in an additional 305,000 square feet for a total of approximately 560,000 square feet in that facility. We began retrofitting work in this facility in Fiscal 2025 to help optimize our operations.

Our current facilities are set up to flexibly manage multi-channel and omni-channel demands, as our business continues to grow, and these further expansions will also support both our retail and eCommerce businesses with added capacity to handle higher levels of throughput.

Omni-Channel Capabilities

In Fiscal 2024, we successfully launched new omni-channel capabilities, including Buy Online, Ship From Store and Buy Online, Pick Up In Store. These new capabilities will help maximize sales and profitability and ensure our store teams are operating efficiently.

The Omni Project is built on the foundation of our point-of-sale system and investment in digital selling tools to enable omni-channel capabilities and optimize our technical systems and architecture. The project brought to life a new order fulfillment solution, the physical optimization of our backroom spaces, foundational order sourcing technology, and enhancements to our digital customer experience. The omni channel capabilities are as follows:

- Buy Online, Ship From Store – Available in most of our boutiques, this new capability introduces store inventory online, ensuring our full product assortment is available on aritzia.com. It also enables strategic targeting of inventory across our network of boutiques and minimizes delivery time to our clients.
- Buy Online, Pick-up In Store – Available in most of our boutiques, this capability provides clients with the option to pick up their online order in store. Building on store inventory visibility, this capability further integrates the online and in-store experiences leveraging the strong service in our boutiques to deliver an elevated, yet convenient experience. It is expected to also drive traffic to our boutiques and lead to additional opportunities for purchases upon pick up.
- Store Inventory Visibility – Launched in Fiscal 2022, this functionality enhances the client experience on aritzia.com by providing visibility of product availability in our boutiques. This initiative drives cross-channel shopping behavior and reduces contacts to our Concierge team by enabling clients to self-serve on common product availability related questions.

We've also made meaningful improvements to the availability of fulfillment data and analytics as well as tools to maintain inventory accuracy which has resulted in improved fulfillment rates in our boutiques.

Environment, Social & Governance ("ESG")

As a prominent player in the fashion industry, Aritzia acknowledges the role it must play in accelerating its ESG commitments and performance. As we continue to grow our business, we remain dedicated to making year-over-year progress on our impact priorities and against our targets. At Aritzia, Community refers to the contributions we make to People and the Planet. The Community scope spans Aritzia's full value chain — from raw material sourcing in our upstream operations, through to product end-of-life in our downstream operations. With the goal to strengthen our positive impact, initiatives and oversight are shared throughout our organization. We seek to take an evidence-based approach and to deliver long-term impact.

Our priorities are aligned with the findings in our materiality assessment — which identifies our material impacts, opportunities and risks, as well as The Sustainability Accounting Standards Board's (SASB) reporting framework, the United Nations Sustainable Development Goals (UNSDGs), and the Taskforce for Climate-Related Financial Disclosures (TCFD). In Fiscal 2024, we began building on our climate change-related reporting infrastructure in preparation to meet the anticipated reporting requirements of the Canadian Sustainability Standards Board (CSSB)'s Canadian Sustainability Disclosure Standards (CSDS), as they may be modified by Canadian securities or other regulators. These standards align with the global baseline standards developed by the International Sustainability Standards Board (ISSB).

For a more detailed discussion on our ESG metrics and key performance indicators, refer to the latest Aritzia Community™ | ESG Report, available on Aritzia's Environmental and Social Investor Relations page at investors.aritzia.com (which is not incorporated by reference into this MD&A) and for details on our ESG impacts and progress refer to the "Environment, Social & Governance ("ESG"): Our Impacts and Our Progress" section of the Company's AIF, which is available on SEDAR+ at www.sedarplus.com.

Consumer Trends

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

Seasonality

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

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

First fiscal quarter	18%
Second fiscal quarter	24%
Third fiscal quarter	29%
Fourth fiscal quarter	29%
Yearly total	100%

Weather

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

Competition

We operate in the apparel industry, primarily within the Canadian and United States markets. We are strategically positioned in the global fashion landscape between fast fashion and luxury. We compete with a diverse group of specialty apparel retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel. Market participants compete on the basis of, among other things, the location of boutiques, eCommerce experience, the breadth, style, quality, price and availability of merchandise, the level of client service and brand recognition. We believe that we successfully compete on the basis of several factors that include our strategic mix of exclusive brands, offering of a combination of high quality products at an attainable price point, our refined and proven merchandise planning strategy, our focus on providing an aspirational shopping experience and exceptional client service, our premier real estate portfolio and our market positioning, collectively resulting in a fashion brand loved by our clients all over the world.

Foreign Exchange

Over half of our net revenue is derived in U.S. dollars while the vast majority of our inventory purchases are denominated in U.S. dollars. Our cost of goods sold could therefore be impacted by changes in the value of the Canadian dollar against the U.S. dollar. Fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross profit margins and operating results. If needed, we will use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategies will prove to be successful. See the “Risk Factors” section of this MD&A.

NON-IFRS MEASURES AND RETAIL INDUSTRY METRICS

This MD&A 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 or 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 MD&A also makes reference to “gross profit margin” as well as "comparable sales", which are commonly used operating metrics in the retail industry but may be calculated differently by other retailers. Gross profit margin and comparable sales 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. For definitions of these non-IFRS measures and retail industry metrics and reconciliations of these non-IFRS financial measures to the relevant reported measures, please see the “How We Assess the Performance of Our Business” and “Selected Financial Information” sections of this MD&A.

HOW WE ASSESS THE PERFORMANCE OF OUR BUSINESS

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

Net revenue reflects our sale of merchandise, less returns and discounts. The Company recognizes revenue when control of the goods or services has been transferred to the customer which generally occurs when the product is delivered to the customer and therefore may be subject to deferral. Revenue is measured at the fair value of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent it is highly probable that a significant reversal will not occur. Revenues are measured net of discounts and an estimated allowance for returns. Revenues are reported net of sales taxes collected for various governmental agencies. Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the related revenue is recognized.

Comparable sales is a retail industry metric used to explain our total combined revenue growth (decline) (in absolute dollars or percentage terms) in eCommerce and established boutiques over the comparative reportable period. Comparable sales from established boutiques is calculated based on revenue from boutiques that have been opened for at least 56 weeks, and excludes boutiques that were repositioned, boutiques in centres where we opened a new additional boutique and boutiques significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales calculation excludes the impact of foreign currency fluctuations. We apply the relevant prior year comparative's average monthly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison (i.e., on a constant currency basis).

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

Selling, general and administrative ("SG&A") expenses consists of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets.

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

EBITDA is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense. We believe this measure is useful as it is used by management as a component of reconciliation between other non-IFRS measures and their most comparable IFRS measure.

Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue are useful measures of operating performance, as we believe they provide a more relevant picture of operating results in that the measures exclude the effects of financing and investing activities by removing the effects of interest, depreciation and amortization expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted EBITDA as consolidated net income before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, such as a deduction of interest expense and depreciation relating to our leases to reflect an estimate of rent expense and including non-cash items and/or items we consider non-recurring and not representative of our ongoing operating performance, such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts and fair value adjustments on NCI in exchangeable shares liability. Because Adjusted EBITDA excludes certain non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges. We define Adjusted EBITDA as a percentage of net revenue as the percentage obtained by dividing Adjusted EBITDA by net revenue.

Adjusted Net Income (and per Diluted Share) and Adjusted Net Income as a percentage of net revenue are useful measures of performance, as we believe they provide a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income, Adjusted Net Income per Diluted Share, and Adjusted Net Income as a percentage of net revenue to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted Net Income as consolidated net income adjusted for the impact of certain items, including non-cash items and/or other items we consider non-recurring and not representative of our ongoing operating performance, such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts and fair value adjustments in NCI in exchangeable shares liability, net of related tax effects. We define Adjusted Net Income per Diluted Share by dividing Adjusted Net Income by the weighted average number of diluted shares outstanding. We define Adjusted Net Income as a percentage of net revenue as the percentage obtained by dividing Adjusted Net Income by net revenue.

Capital cash expenditures (net of proceeds from lease incentives) is a measure we believe to be a useful indicator of the net cash capital investment relating to our boutiques and infrastructure. We define capital cash expenditures (net of proceeds from lease incentives) as cash used in investing activities, excluding cash used in business combinations, less proceeds from lease incentives.

Free cash flow is a useful metric because it is an indicator of how much cash is available for business acquisitions, debt repayment, share repurchases and other investing and financing activities. Our sustained ability to generate free cash flow is an indicator of the financial strength of our business, as we require regular capital expenditures to build and maintain boutiques and invest in infrastructure. We define free cash flow as net cash generated from operating activities excluding interest paid on credit facilities, plus proceeds from lease incentives, less repayments of principal on lease liabilities and cash used for the purchase of property, equipment and intangible assets.

RESULTS OF OPERATIONS

Analysis of Results for Second Quarter Fiscal 2025

Consolidated Statements of Operations

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q2 2025			Q2 2024		
			% of net revenue			*% of net revenue*
Net revenue	$	615,663	100.0%	$	534,191	100.0%
Cost of goods sold		368,177	59.8%		347,345	65.0%
Gross profit		247,486	40.2%		186,846	35.0%
Selling, general and administrative		199,502	32.4%		171,116	32.0%
Stock-based compensation expense		13,426	2.2%		2,051	0.4%
Income from operations		34,558	5.6%		13,679	2.6%
Finance expense		12,842	2.1%		11,793	2.2%
Other expense (income)		(5,529)	(0.9)%		7,288	1.4%
Income (loss) before income taxes		27,245	4.4%		(5,402)	(1.0)%
Income tax expense		8,998	1.5%		588	0.1%
Net income (loss)	$	18,247	3.0%	$	(5,990)	(1.1)%
Net income (loss) per diluted share	$	0.16		$	(0.05)	
Adjusted EBITDA[1]	$	55,167	9.0%	$	21,160	4.0%
Adjusted Net Income[1]	$	24,536	4.0%	$	3,415	0.6%
Adjusted Net Income per Diluted Share[1]	$	0.21		$	0.03	

Net revenue increased by 15.3% to $615.7 million, compared to $534.2 million in Q2 2024. Comparable sales[2] growth was 6.5%. Trends accelerated in August, resulting in better-than-expected net revenue for the quarter.

In the United States, net revenue increased by 23.9% to $345.4 million, compared to $278.9 million in Q2 2024. This was primarily driven by the Company's real estate expansion strategy and an acceleration in eCommerce growth. Net revenue in Canada increased by 5.8% to $270.3 million, compared to $255.3 million in Q2 2024. Results in Canada benefited from a calendar shift causing the week of the Company's annual warehouse sale to fall in the second quarter this year compared to the third quarter last year. Comparable sales growth was positive in both countries.

- **Retail net revenue** increased by 17.6% to $425.6 million, compared to $362.0 million in Q2 2024. The increase was primarily driven by strong performance of the Company's new and repositioned boutiques, as well as positive comparable sales growth in its existing boutiques. In the last 12 months, the Company opened 7 new boutiques and repositioned 3 boutiques. Boutique count[5] at the end of Q2 2025 totaled 122 compared to 116 boutiques at the end of Q2 2024.
- **eCommerce net revenue** increased by 10.4% to $190.0 million, compared to $172.2 million in Q2 2024. The increase was primarily driven by traffic growth in the United States, strong response to the Company's Fall product and the Company's investment in digital marketing.

[5] CYC had four Reigning Champ boutiques as at September 1, 2024 and August 27, 2023 which are excluded from the boutique count. There was one Aritzia boutique closure in Fiscal 2024.

The following table provides net revenue by channel and geographic location for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024
Retail net revenue	$ 425,621	$ 362,014
eCommerce net revenue	190,042	172,177
Net revenue	$ 615,663	$ 534,191

	Q2 2025	Q2 2024
United States net revenue	$ 345,395	$ 278,858
Canada net revenue	270,268	255,333
Net revenue	$ 615,663	$ 534,191

Gross profit increased by 32.5% to $247.5 million, compared to $186.8 million in Q2 2024. Gross profit margin[1] was 40.2%, compared to 35.0% in Q2 2024. The increase in gross profit margin of approximately 520 bps was driven by lower markdowns, IMU improvements, lower warehousing costs and savings from the Company's smart spending initiative, partially offset by higher freight costs.

SG&A expenses increased by 16.6% to $199.5 million, compared to $171.1 million in Q2 2024. SG&A expenses were 32.4% of net revenue, compared to 32.0% in Q2 2024. The increase in SG&A expenses was driven by investments in digital marketing to protect and propel the Aritzia brand, as well as investments in infrastructure projects and technology initiatives to support the Company's growth.

Depreciation and amortization increased by $7.0 million to $46.5 million, compared to $39.5 million in Q2 2024 primarily due to the increase in leased assets, new and repositioned boutique openings, and the opening of our Vaughan, Ontario distribution centre part-way through Q2 2024. The following table provides the depreciation and amortization expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024
Depreciation on right-of-use assets	$ 26,982	$ 24,907
Depreciation and amortization	19,496	14,591
Total depreciation and amortization	$ 46,478	$ 39,498

Stock-based compensation expense was $13.4 million, compared to $2.1 million in Q2 2024. The increase in stock-based compensation expense was primarily due to the effect of share price changes (i.e., mark-to-market) on our cash-settled restricted and deferred share units. The following table provides details of the stock-based compensation expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024
Equity-settled plans		
Stock options	$ 4,940	$ 4,335
Restricted Share Units	2,276	1,393
Performance Share Units	1,261	1,553
Cash-settled plans		
Restricted Share Units	1,655	(3,303)
Deferred Share Units	3,294	(1,927)
Stock-based compensation expense	$ 13,426	$ 2,051

The Company uses equity derivative contracts to offset our cash flow variability of the expected payment associated with our cash-settled deferred and restricted share units. Realized and unrealized gains and losses related to these equity derivative contracts are recorded in other expense (income).

Finance expense increased by $1.0 million to $12.8 million, compared to $11.8 million in Q2 2024. The increase in finance expense was primarily due to higher interest expense on lease liabilities in Q2 2025 partially offset by a decrease related to interest expense on the revolving credit facility draw at the end of Q2 2024.

Other expense (income) was $(5.5) million, compared to $7.3 million in Q2 2024. The following table provides details of other expense (income) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024
Realized foreign exchange loss (gain)	$ (983)	$ 2,277
Unrealized foreign exchange loss (gain)	3,003	(2,527)
Unrealized loss (gain) on equity derivative contracts	(6,507)	7,794
CYC related costs and other expenses	376	419
Interest and other income	(1,418)	(675)
Other expense (income)	$ (5,529)	$ 7,288

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rate for Q2 2025 and Q2 2024 was 26.8% and 26.7%, respectively.

Income tax expense was $9.0 million, compared to $0.6 million in Q2 2024 and the effective tax rate for Q2 2025 and Q2 2024 were 33.0% and 10.9%, respectively. The effective tax rates are driven largely by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income before income taxes.

Net income (loss) was $18.2 million, an increase of 404.6% compared to $(6.0) million in Q2 2024. **Net income (loss) per diluted share** was $0.16 per share, an increase of 420.0% compared to $(0.05) per share in Q2 2024, The increase in Net income (loss) and Net income (loss) per diluted share was primarily attributable to the factors discussed above.

Adjusted EBITDA[1] was $55.2 million, or 9.0% of net revenue[1], an increase of 160.7% compared to $21.2 million, or 4.0% of net revenue in Q2 2024. The increase in Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue was attributable to the factors discussed above.

Adjusted Net Income[1] was $24.5 million, an increase of 618.5% compared to $3.4 million in Q2 2024. **Adjusted Net Income per Diluted Share**[1] was $0.21 per share, an increase of 600.0% compared to $0.03 per share in Q2 2024. The increase in Adjusted Net Income and Adjusted Net Income per Diluted Share was primarily attributable to the factors discussed above.

Cash and cash equivalents at the end of Q2 2025 totaled $104.0 million compared to $76.5 million at the end of Q2 2024. See "Analysis of Cash Flows for the Second Quarter Fiscal 2025" and "Analysis of Cash Flows for YTD 2025" for further details.

Inventory at the end of Q2 2025 was $482.6 million, a decrease of 3.7% compared to $500.9 million at the end of Q2 2024.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $49.7 million in Q2 2025, compared to $45.7 million in Q2 2024. The increase is primarily due to capital investments in new and repositioned boutiques partially offset by a decrease in capital investments related to support office expansion and distribution centres.

Analysis of Results for YTD 2025

Consolidated Statements of Operations						
(unaudited, in thousands of Canadian dollars, unless otherwise noted)		YTD 2025			YTD 2024	
			% of net revenue			*% of net revenue*
Net revenue	$	1,114,293	100.0%	$	996,856	100.0%
Cost of goods sold		647,263	58.1%		630,059	63.2%
Gross profit		467,030	41.9%		366,797	36.8%
Selling, general and administrative		375,792	33.7%		324,575	32.6%
Stock-based compensation expense		20,753	1.9%		6,979	0.7%
Income from operations		70,485	6.3%		35,243	3.5%
Finance expense		25,423	2.3%		23,025	2.3%
Other expense (income)		(5,491)	(0.5)%		(3,083)	(0.3)%
Income before income taxes		50,553	4.5%		15,301	1.5%
Income tax expense		16,473	1.5%		3,821	0.4%
Net income	$	34,080	3.1%	$	11,480	1.2%
Net income per diluted share	$	0.30		$	0.10	
Adjusted EBITDA[1]	$	109,044	9.8%	$	52,748	5.3 %
Adjusted Net Income[1]	$	49,524	4.4%	$	14,633	1.5 %
Adjusted Net Income per Diluted Share[1]	$	0.43		$	0.13	

Net revenue increased by 11.8% to $1.1 billion, compared to $996.9 million in YTD 2024. Comparable sales[2] grew 4.4%. Results continue to be driven by performance in the United States, where net revenue increased by 18.7% to $630.1 million, compared to $530.8 million in YTD 2024. Net revenue in Canada increased by 3.9% to $484.2 million, compared to $466.1 million in YTD 2024.

- **Retail net revenue** increased by 13.6% to $783.5 million, compared to $689.6 million in YTD 2024. The increase in revenue was primarily driven by strong performance of the Company's new and repositioned boutiques, as well as positive comparable sales growth in its existing boutiques.
- **eCommerce net revenue** increased by 7.7% to $330.8 million, compared to $307.3 million in YTD 2024. The increase was primarily driven by traffic growth in the United States and inventory optimization.

The following table provides net revenue by channel and geographic location for the periods indicated.

(unaudited, in thousands of Canadian dollars)		YTD 2025		YTD 2024
Retail net revenue	$	783,464	$	689,584
eCommerce net revenue		330,829		307,272
Net revenue	$	1,114,293	$	996,856

		YTD 2025		YTD 2024
United States net revenue	$	630,056	$	530,750
Canada net revenue		484,237		466,106
Net revenue	$	1,114,293	$	996,856

Gross profit increased by 27.3% to $467.0 million, compared to $366.8 million in YTD 2024. Gross profit margin[1] was 41.9%, compared to 36.8% in YTD 2024. The approximately 510 bps increase in gross profit margin was primarily due to lower markdowns, IMU improvements, lower warehousing costs and savings from the Company's smart spending initiative, partially offset by higher freight costs and pre-opening lease amortization costs for flagship boutiques.

SG&A expenses increased by 15.8% to $375.8 million, compared to $324.6 million in YTD 2024. SG&A expenses were 33.7% of net revenue, compared to 32.6% in YTD 2024. The increase in SG&A expenses was driven by investments in digital marketing to protect and propel the Aritzia brand, as well as investments in infrastructure projects and technology initiatives to support the Company's growth.

Depreciation and amortization increased by $12.7 million to $92.0 million, compared to $79.3 million in YTD 2024 primarily due to the increase in leased assets, new and repositioned boutique openings, and the opening of our Vaughan, Ontario distribution centre part-way through Q2 2024. The following table provides the depreciation and amortization expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	YTD 2025	YTD 2024
Depreciation on right-of-use assets	$ 53,231	$ 49,834
Depreciation and amortization	38,777	29,505
Total depreciation and amortization	$ 92,008	$ 79,339

Stock-based compensation expense was $20.8 million, compared to $7.0 million in YTD 2024. The increase in stock-based compensation expense was primarily due to the effect of share price changes (i.e. mark-to-market) on our cash-settled restricted and deferred share units. The following table provides details of the stock-based compensation expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	YTD 2025	YTD 2024
Equity-settled plans		
Stock options	$ 9,835	$ 8,413
Restricted Share Units	3,763	2,468
Performance Share Units	1,671	2,278
Cash-settled plans		
Restricted Share Units	2,112	(3,606)
Deferred Share Units	3,372	(2,574)
Stock-based compensation expense	$ 20,753	$ 6,979

The Company uses equity derivative contracts to offset our cash flow variability of the expected payment associated with our cash-settled deferred and restricted share units. Unrealized gains and losses related to these equity derivative contracts are recorded in other expense (income).

Finance expense increased by $2.4 million to $25.4 million, compared to $23.0 million in YTD 2024. The increase in finance expense was primarily due to higher interest expense on lease liabilities partially offset by a decrease related to interest expense on the revolving credit facility draw at the end of Q2 2024.

Other expense (income) was $(5.5) million, compared to $(3.1) million in YTD 2024. The following table provides details of other expense (income) for the periods indicated.

(in thousands of Canadian dollars)	YTD 2025	YTD 2024
Realized foreign exchange loss (gain)	$ (2,299)	$ 2,281
Unrealized foreign exchange loss (gain)	3,113	(2,168)
Fair value adjustment of NCI in exchangeable shares liability	—	(15,000)
Unrealized loss (gain) on equity derivative contracts	(5,837)	11,233
CYC related costs and expenses	2,621	1,751
Interest and other income	(3,089)	(1,180)
Other expense (income)	$ (5,491)	$ (3,083)

As a result of the Company's early acquisition of the remaining 25% CYC ownership interest on May 26, 2023, the Company revalued the non-controlling interest in exchangeable shares liability to $20.5 million as at May 26, 2023 based on a Monte Carlo simulation which resulted in a $15.0 million gain recorded in other expense (income). See note 12 of the Fiscal 2024 audited consolidated financial statements for further details.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for YTD 2025 and YTD 2024 were 26.8% and 26.7%, respectively.

Income tax expense was $16.5 million, compared to $3.8 million in YTD 2024 and the effective tax rates for YTD 2025 and YTD 2024 were 32.6% and 25.0%, respectively. The effective tax rates are driven largely by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income before income taxes and in YTD 2024 the non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability.

Net income was $34.1 million, an increase of 196.9% compared to $11.5 million in YTD 2024. **Net income per diluted share** was $0.30, a increase of 200.0%, compared to $0.10 in YTD 2024. The increase in Net Income and Net Income per diluted share was primarily attributable to the factors discussed above.

Adjusted EBITDA[1] was $109.0 million, or 9.8% of net revenue[1], an increase of 106.7%, compared to $52.7 million, or 5.3% of net revenue in YTD 2024. The increase in Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue was primarily attributable to the factors discussed above.

Adjusted Net Income[1] was $49.5 million, an increase of 238.4%, compared to $14.6 million in YTD 2024. **Adjusted Net Income per Diluted Share**[1] was $0.43, an increase of 230.8%, compared to $0.13 in YTD 2024. The increase in Adjusted Net Income and Adjusted Net Income per Diluted Share was primarily attributable to the factors discussed above.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $105.2 million, compared to $72.2 million in YTD 2024. The increase is primarily due to capital investments in new and repositioned boutiques partially offset by a decrease in capital investments related to support office expansion and distribution centres.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Revolving Credit Facility and Revolving Line of Credit

As at September 1, 2024, we have a $300.0 million revolving credit facility and a US$10.0 million revolving line of credit issued by a member of the lending syndicate in connection with the revolving credit facility. The revolving credit facility bears interest at banker's acceptance rate ("BA"), Secured Overnight Financing Rate ("SOFR") (prior to June 30, 2023, London Inter-Bank Offered Rate ("LIBO")) or Canadian prime rate, plus a marginal rate between 0.75% and 2.75% (March 3, 2024 – 0.75% and 2.75%). The revolving line of credit bears interest at the daily SOFR, plus a marginal rate between 1.75% and 2.75% (March 3, 2024 – 1.75% and 2.75%). No amounts were drawn on the revolving credit facility nor the revolving line of credit as at September 1, 2024.

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

In addition as at September 1, 2024, we also have letters of credit facilities of CAD$30.0 million and US$25.0 million (March 3, 2024 - CAD$50.0 million and US$40.0 million), secured *pari passu* with the revolving credit facility and the revolving line of credit. The interest rate for the letters of credit is between 1.17% and 2.75%.

See “Off-Balance Sheet Arrangements” for details regarding the letters of credit issued.

Cash Flows

The following table presents cash flows for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Net cash generated from (used in) operating activities	$ 70,022	$ (8,789)	$ 82,294	$ 18,056
Net cash generated from (used in) financing activities	(14,125)	74,685	(28,561)	62,070
Cash used in investing activities	(51,729)	(48,543)	(112,077)	(90,384)
Effect of exchange rate changes on cash and cash equivalents	(856)	370	(950)	264
Change in cash and cash equivalents	$ 3,312	$ 17,723	$ (59,294)	$ (9,994)

Analysis of Cash Flows for the Second Quarter Fiscal 2025

Net Cash Generated From (Used In) Operating Activities

For Q2 2025, net cash generated from operating activities totaled $70.0 million, compared to $8.8 million used in Q2 2024. This change was primarily attributable to an increase in income from operations, a decrease in the use of working capital primarily due to the timing of inventory purchases partially offset by the timing of payments, and a decrease in income taxes paid.

Net Cash Generated From (Used In) Financing Activities

For Q2 2025, net cash used in financing activities totaled $14.1 million, compared to $74.7 million generated in Q2 2024. Financing activities in Q2 2025 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in Q2 2024 primarily relate to proceeds from the revolving credit facility, proceeds from lease incentives, and proceeds received from options exercised, partially offset by the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation.

Cash Used In Investing Activities

For Q2 2025, cash used in investing activities totaled $51.7 million, compared to $48.5 million in Q2 2024. Investing activities in Q2 2025 primarily relate to capital investments in new and repositioned boutiques (including flagship boutiques). In Q2 2024, investing activities primarily relate to capital investments in new and repositioned boutiques, distribution centres, support offices and technology infrastructure.

Analysis of Cash Flows for YTD 2025

Cash Flows Generated From (Used In) Operating Activities

For YTD 2025, net cash generated from operating activities totaled $82.3 million, compared to $18.1 million in YTD 2024. This change was primarily attributable to the timing of payments, an increase in income from operations and a decrease in income taxes paid partially offset by higher inventory purchases and an increase in interest paid on lease liabilities.

Cash Flows Generated From (Used In) Financing Activities

For YTD 2025, net cash used in financing activities totaled $28.6 million, compared to $62.1 million generated in YTD 2024. Financing activities in YTD 2025 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in YTD 2024 primarily relate to the proceeds from the revolving credit facility, proceeds from lease incentives, and proceeds from options exercised, partially offset by the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation.

Cash Flows Used In Investing Activities

For YTD 2025, cash used in investing activities totaled $112.1 million, compared to $90.4 million in YTD 2024. Investing activities in YTD 2025 primarily relate to capital investments in new and repositioned boutiques (including flagship boutiques). Investing activities in YTD 2024 primarily relate to new and repositioned boutiques, distribution center projects, as well as a $6.3 million contingent consideration payout to CYC's shareholders.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at September 1, 2024.

(unaudited, in thousands of Canadian dollars)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities	$ 333,711	$ —	$ —	$ 333,711
Lease liabilities	139,816	522,705	483,935	1,146,456
Minimum lease commitments with future commencement dates	2,059	39,615	60,100	101,774
Total contractual obligations and commitments	$ 475,586	$ 562,320	$ 544,035	$ 1,581,941

As at September 1, 2024, the Company also had approximately $91 million remaining on issued purchase orders for expected future capital expenditures. Capital expenditures are generally funded from the Company's operating cash flows and, if needed, from the available revolving credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at September 1, 2024, we had purchase obligations of $89.2 million, which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at September 1, 2024, letters of credit totaling $20.4 million have been issued.

FINANCIAL INSTRUMENTS

Financial instruments related to the acquisition of CYC

In connection with the acquisition of CYC in June, 2021, we entered into two financial instruments that were revalued on a recurring basis in the consolidated financial statements: contingent consideration and non-controlling interest in exchangeable shares liability. Changes in the fair value of these two financial instruments were recorded in net income. The final payment on the contingent consideration was made in May 2023 as scheduled. On May 26, 2023, the Company and the selling shareholders agreed to the Company’s early acquisition of the remaining 25% interest in CYC held through CYC's exchangeable shares which resulted in the extinguishment of the existing non-controlling interest in exchangeable shares liability and a net derivative asset of $1.5 million (recorded in other non-current assets). As at September 1, 2024, the value of the net derivative asset was $1.0 million (March 3, 2024 - $1.0 million).

The details of, and significant assumptions made in determining the fair value of our financial instruments, including those related to the acquisition of CYC, are disclosed in note 12 to our Q2 2025 unaudited condensed interim consolidated financial statements and note 12 to our Fiscal 2024 audited annual consolidated financial statements.

Equity derivative contracts

We have equity derivative contracts to hedge the share price exposure on our cash-settled deferred and restricted share units. These contracts are not designated as hedging instruments for accounting purposes. Changes in the fair value of equity derivative contracts are recorded in other expense (income). The following table provides details of realized and unrealized losses (gains) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Unrealized loss (gain) for the change in fair value of equity derivative contracts	$ (6,507)	$ 7,794	$ (5,837)	$ 11,233

As at September 1, 2024, the equity derivative contracts had a positive fair value of $10.1 million (March 3, 2024 - $4.3 million) which are recorded in prepaid expenses and other current assets in the condensed interim consolidated statements of financial position.

RELATED PARTY TRANSACTIONS

During Q2 2025 and YTD 2025, we made payments of $2.5 million and $5.1 million, respectively (Q2 2024 and YTD 2024 - $1.6 million and $2.6 million, respectively) for lease of premises and management services and $0.3 million and $0.8 million, respectively (Q2 2024 and YTD 2024 - $0.2 million and $0.2 million, respectively) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at September 1, 2024, $0.2 million was included in accounts payable and accrued liabilities (March 3, 2024 - $0.5 million) and $0.9 million was included in prepaid expenses and other current assets for the lease of premises (March 3, 2024 - $0.8 million). As at September 1, 2024, the outstanding balance of lease liabilities owed to these companies was $43.5 million (March 3, 2024 - $45.6 million). These transactions were measured at the amount of consideration established at market terms.

TRANSACTIONS WITH KEY MANAGEMENT

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

(unaudited, in thousands of Canadian dollars)	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Salaries, directors' fees and short-term benefits	$ 1,508	$ 1,259	$ 2,897	$ 2,512
Stock-based compensation	5,728	260	7,479	1,398
Key management compensation	$ 7,236	$ 1,519	$ 10,376	$ 3,910

The increase in stock-based compensation for key management for Q2 2025 and YTD 2025 compared to Q2 2024 and YTD 2024 was primarily due to the increase in the fair value of the deferred share unit liability. In addition to the compensation presented above, certain key management received a retroactive adjustment to compensation relating to Fiscal 2023, resulting in an additional expense of $0.8 million during YTD 2024.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Return Allowances

Recognizing provisions for sales return allowances requires the use of estimates of the return rate of merchandise based on historical return patterns.

Valuation of Finished Goods Inventory

Inventory is stated at the lower of cost and net realizable value. We periodically review our inventories and make provisions which requires the use of estimates related to product quality, damages, inventory shrinkage for lost or stolen items, future demand, selling prices, and market conditions.

Impairment of Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible asset impairment testing requires the use of estimates in the impairment testing model. On an annual basis, we test whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate estimates regarding future events, specifically future cash flows, growth rates and discount rates. We use judgment in determining the grouping of assets to identify our cash generating units ("CGUs") for purposes of testing for impairment. In testing for impairment, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the business combination, which involves judgment.

Leases

We estimate the incremental borrowing rate used for calculating lease liabilities and right-of-use assets. We estimate the incremental borrowing rate of each leased asset as the rate of interest that we would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

We exercise judgment in determining the appropriate lease term at the lease commencement date. We exercise judgment on whether we will exercise available renewal or termination options, and thus include such options in the lease terms. We consider all facts and circumstances that create an economic incentive to exercise a renewal or termination option.

ACCOUNTING POLICY DEVELOPMENTS

Several amendments to IFRS Accounting Standards apply for the first time in 2024 but do not have a material impact on the unaudited condensed interim consolidated financial statements of the Company (see discussion in the Company's Fiscal 2024 MD&A). The International Accounting Standards Board issued IFRS 18, Presentation and Disclosure in the Financial Statements, in April 2024 which is effective for annual reporting periods beginning on or after January 1, 2027. Management is currently assessing the impact of IFRS 18.

RISK FACTORS

For a detailed description of risk factors associated with the Company, refer to the “Risk Factors” section of the Company’s AIF, which is available on SEDAR+ at www.sedarplus.com.

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

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

Foreign Exchange Risk

We source the majority of our raw materials and merchandise from various suppliers in Asia, Europe and Central America with the vast majority of purchases denominated in U.S. dollars. Our foreign exchange risk is primarily with respect to the U.S. dollar but we have limited exposure to other currencies as well. We may use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada. As at September 1, 2024, we have no foreign currency forward contracts outstanding and none were utilized during the 26-week period ended September 1, 2024.

Interest Rate Risk

We have a revolving credit facility and related revolving line of credit which provides available borrowings in an amount up to $300.0 million and US$10 million, respectively. Because the revolving credit facility and revolving line of credit bear interest at variable rates, we are exposed to market risks relating to changes in interest rates on outstanding balances. As at September 1, 2024, no amounts were drawn under the revolving credit facility and the revolving line of credit.

Credit Risk

Credit risk refers to the possibility of an unexpected event if a counterparty to a financial instrument fails to meet their contractual obligations. Financial instruments that potentially subject us to credit risk consist of cash and cash equivalents, accounts receivable, and derivative contracts used to hedge market risks. We are exposed to minimal credit risk. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We are exposed to credit risk on receivables from our landlords in relation to tenant improvement allowances. To reduce this risk, we enter into leases with landlords with established credit history, and for certain leases, we may offset rent payments until accounts receivable are fully satisfied. We only enter into derivative contracts with major financial institutions, as described above and as needed, for the purchase of foreign currency forward contracts.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenue, income, working capital and capital expenditure needs. The revolving credit facility and related revolving line of credit are used to maintain liquidity. As at September 1, 2024, no amounts were drawn under the revolving credit facility and revolving line of credit.

Equity Price Risk

We are exposed to risk arising from the cash settlement of our deferred and restricted share units, as an appreciating subordinate voting share price increases the potential cash outflow. We record a liability for the potential future settlement of our deferred and restricted share units by reference to the fair value of the liability. We may use equity derivative contracts to offset our cash flow variability of the expected payment associated with our deferred and restricted share units. We only enter into equity derivative contracts with major financial institutions. As at September 1, 2024, the fair value of the equity derivative contract was in an asset position of $10.1 million.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that they can make appropriate and timely decisions regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. The Company’s internal controls over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting and reporting, and controls over systems that process and summarize transactions. The Company’s procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures. Therefore, even when determined to be designed effectively, disclosure controls and internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during Q2 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of October 9, 2024, an aggregate of 92,335,429 subordinate voting shares, 20,437,349 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by Brian Hill, our principal shareholder, Founder and Executive Chair. As of October 9, 2024, an aggregate of 9,121,291 options, 550,644 performance share units and 1,083,108 restricted share units to acquire subordinate voting shares are outstanding.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF, is available on SEDAR+ at www.sedarplus.com. The Company's subordinate voting shares are listed for trading on the TSX under the symbol "ATZ".

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS AND CERTAIN PERFORMANCE MEASURES

The following table summarizes the results of our operations for the eight most recently completed quarters. This unaudited quarterly information, other than Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per Diluted Share, capital cash expenditures (net of proceeds from lease incentives), free cash flow and comparable sales, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

Consolidated Quarterly Results[6]

(interim periods unaudited, in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2025		Fiscal 2024				Fiscal 2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial Summary:								
Net revenue	$ 615,663	$ 498,630	$ 681,970	$ 653,524	$ 534,191	$ 462,665	$ 637,582	$ 624,615
Cost of goods sold	368,177	279,086	420,723	382,587	347,345	282,714	395,422	353,952
Gross profit	247,486	219,544	261,247	270,937	186,846	179,951	242,160	270,663
SG&A	199,502	176,290	196,835	187,373	171,116	153,459	171,299	163,737
Income from operations	34,558	35,927	49,056	74,115	13,679	21,564	67,704	95,368
Net income (loss)	18,247	15,833	24,207	43,093	(5,990)	17,470	37,338	70,728
Net income (loss) per share	$ 0.16	$ 0.14	$ 0.22	$ 0.39	$ (0.05)	$ 0.16	$ 0.34	$ 0.64
Net income (loss) per diluted share	$ 0.16	$ 0.14	$ 0.21	$ 0.38	$ (0.05)	$ 0.15	$ 0.32	$ 0.61
Adjusted EBITDA[7]	$ 55,167	$ 53,877	$ 72,545	$ 91,763	$ 21,160	$ 31,588	$ 79,354	$ 119,618
Adjusted Net Income[6]	$ 24,536	$ 24,988	$ 38,223	$ 52,701	$ 3,415	$ 11,218	$ 46,671	$ 76,610
Adjusted Net Income[6] per Diluted Share	$ 0.21	$ 0.22	$ 0.34	$ 0.47	$ 0.03	$ 0.10	$ 0.40	$ 0.67
Weighted average number of diluted shares outstanding (in thousands)	116,035	114,745	114,096	113,332	114,295	114,793	115,249	115,154
Cash and cash equivalents	$ 103,983	$ 100,671	$ 163,277	$ 140,804	$ 76,516	$ 58,793	$ 86,510	$ 131,898
Capital cash expenditures (net of proceeds from lease incentives)[6]	$ (49,670)	$ (55,557)	$ (41,681)	$ (41,368)	$ (45,703)	$ (26,504)	$ (38,503)	$ (26,362)
Free cash flow[6]	$ (5,727)	$ (68,269)	$ 22,871	$ 171,607	$ (75,047)	$ (19,929)	$ (49,193)	$ 68,297
Percentage of Net Revenue:								
Gross profit	40.2%	44.0%	38.3%	41.5%	35.0%	38.9%	38.0%	43.3%
SG&A	32.4%	35.4%	28.9%	28.7%	32.0%	33.2%	26.9%	26.2%
Net income (loss)	3.0%	3.2%	3.5%	6.6%	(1.1)%	3.8%	5.9%	11.3%
Adjusted EBITDA[6]	9.0%	10.8%	10.6%	14.0%	4.0%	6.8%	12.4%	19.2%
Adjusted Net Income[6]	4.0%	5.0%	5.6%	8.1%	0.6%	2.4%	7.3%	12.3%
Other Metrics:								
Net revenue growth	15.3%	7.8%	7.0%	4.6%	1.6%	13.4%	43.5%	37.8%
Comparable sales[6] growth (decline)	6.5%	2.0%	(3.0)%	0.5%	(4.3)%	4.1%	32.2%	22.8%
Boutiques:[4]								
Number of boutiques, beginning of period	119	119	117	116	115	114	113	112
New boutiques added	3	—	3	1	1	1	2	—
Repositioned to a flagship boutique	—	—	—	—	—	—	(1)	—
Pop-up boutique converted to a permanent boutique	—	—	—	—	—	—	—	1
Boutique closure	—	—	(1)	—	—	—	—	—
Number of boutiques, end of period	122	119	119	117	116	115	114	113
Repositioned boutiques	—	1	1	1	1	—	1	4

6 For a discussion of the factors that have caused variations in our business over the last eight quarters, please refer to the "Results of Operations" sections in this MD&A, our Q1 2025 MD&A dated July 11, 2024 for the 13-week period ended June 2, 2024, our Fiscal 2024 MD&A dated May 2, 2024, our Q3 2024 MD&A dated January 10, 2024 for the 13-week period ended November 26, 2023, our Q2 2024 MD&A dated September 28, 2023 for the 13-week period ended August 27, 2023, our Q1 2024 MD&A dated July 11, 2023 for the 13-week period ended May 28, 2023, our Fiscal 2023 MD&A dated May 2, 2023 for the 13-week period ended February 26, 2023, and our Q3 2023 MD&A dated January 11, 2023 for the 13-week period ended November 27, 2022, which are available on SEDAR+.

7 See “How We Assess the Performance of Our Business” for definitions of Adjusted EBITDA and Adjusted Net Income which are non-IFRS financial measures, Adjusted Net Income per Diluted Share, Adjusted EBITDA as a percentage of net revenue and Adjusted Net Income as a percentage of net revenue which are non-IFRS ratios, capital cash expenditures (net of proceeds from lease incentives) and free cash flow which are capital management measures, and comparable sales which is a supplementary financial measure. See also “Non-IFRS Measures and Retail Industry Metrics”.