

ARITZIA

Aritzia Inc.

Condensed Interim Consolidated
Financial Statements
Second Quarter of Fiscal 2025

For the 13-week and 26-week periods ended
September 1, 2024 and August 27, 2023

Aritzia Inc.

Condensed Interim Consolidated Statements of Financial Position

As at September 1, 2024 and March 3, 2024

(Unaudited, in thousands of Canadian dollars)

	Note	September 1, 2024	March 3, 2024
Assets			
Cash and cash equivalents		\$ 103,983	\$ 163,277
Accounts receivable		21,085	18,473
Income taxes recoverable		16,551	7,055
Inventory	5	482,598	340,145
Prepaid expenses and other current assets	12	47,053	37,270
Total current assets		\$ 671,270	\$ 566,220
Property and equipment	6	525,957	431,365
Intangible assets	7	88,395	84,975
Goodwill	7	198,846	198,846
Right-of-use assets	8	702,990	632,291
Other assets	12	5,000	5,164
Deferred tax assets	18	21,002	27,272
Total assets		\$ 2,213,460	\$ 1,946,133
Liabilities			
Accounts payable and accrued liabilities	9, 12	\$ 333,711	\$ 212,835
Income taxes payable		—	1,606
Current portion of lease liabilities	8	92,473	107,322
Deferred revenue		84,333	81,669
Total current liabilities		\$ 510,517	\$ 403,432
Lease liabilities	8	790,593	698,564
Other non-current liabilities	10	15,877	13,451
Deferred tax liabilities	18	22,927	23,191
Total liabilities		\$ 1,339,914	\$ 1,138,638
Shareholders' equity			
Share capital	13	\$ 340,345	\$ 307,737
Contributed surplus		96,217	96,249
Retained earnings		441,417	407,337
Accumulated other comprehensive loss		(4,433)	(3,828)
Total shareholders' equity		873,546	807,495
Total liabilities and shareholders' equity		\$ 2,213,460	\$ 1,946,133
Commitments and contingencies	20		

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

Aritzia Inc.
Condensed Interim Consolidated Statements of Operations
For the 13-week and 26-week periods ended September 1, 2024 and August 27, 2023

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

	Note	13-week periods ended		26-week periods ended	
		September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Net revenue	16, 19	\$ 615,663	\$ 534,191	\$ 1,114,293	\$ 996,856
Cost of goods sold	17	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	14, 17	13,426	2,051	20,753	6,979
Income from operations		34,558	13,679	70,485	35,243
Finance expense	8, 11, 17	12,842	11,793	25,423	23,025
Other expense (income)	12, 17	(5,529)	7,288	(5,491)	(3,083)
Income (loss) before income taxes		27,245	(5,402)	50,553	15,301
Income tax expense	18	8,998	588	16,473	3,821
Net income (loss)		\$ 18,247	\$ (5,990)	\$ 34,080	\$ 11,480
Net income (loss) per share					
Basic	15	\$ 0.16	\$ (0.05)	\$ 0.30	\$ 0.10
Diluted	15	\$ 0.16	\$ (0.05)	\$ 0.30	\$ 0.10
Weighted average number of shares outstanding (thousands)					
Basic	15	112,361	110,767	111,910	110,628
Diluted	15	116,035	110,767	115,412	114,547

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

For the 13-week and 26-week periods ended September 1, 2024 and August 27, 2023

(Unaudited, in thousands of Canadian dollars)

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Net income (loss)	\$ 18,247	\$ (5,990)	\$ 34,080	\$ 11,480
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation adjustment	(400)	(443)	(605)	(117)
Comprehensive income (loss)	\$ 17,847	\$ (6,433)	\$ 33,475	\$ 11,363

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the 26-week periods ended September 1, 2024 and August 27, 2023

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

	Multiple voting shares		Subordinate voting shares		Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amounts	Shares	Amounts				
Balance, February 26, 2023	20,437,349	\$ 14,774	90,005,261	\$ 250,745	\$ 68,682	\$ 355,270	\$ (3,684)	\$ 685,787
Net Income	—	—	—	—	—	11,480	—	11,480
Options exercised (note 14)	—	—	215,109	5,358	(1,535)	—	—	3,823
Stock-based compensation expense on equity-settled plans (note 14)	—	—	—	—	13,159	—	—	13,159
Shares repurchased for cancellation (note 13)	—	—	(282,300)	(825)	—	(9,157)	—	(9,982)
Shares issued to settle non-controlling interest in exchangeable shares liability (note 12)	—	—	419,047	15,354	6,646	—	—	22,000
Foreign currency translation adjustment	—	—	—	—	—	—	(117)	(117)
Balance, August 27, 2023	20,437,349	\$ 14,774	90,357,117	\$ 270,632	\$ 86,952	\$ 357,593	\$ (3,801)	\$ 726,150
Balance, March 3, 2024	20,437,349	\$ 14,774	90,723,027	\$ 292,963	\$ 96,249	\$ 407,337	\$ (3,828)	\$ 807,495
Net Income	—	—	—	—	—	34,080	—	34,080
Shares issued for equity settled plans (note 14)	—	—	1,554,120	32,608	(15,301)	—	—	17,307
Stock-based compensation expense on equity-settled plans (note 14)	—	—	—	—	15,269	—	—	15,269
Foreign currency translation adjustment	—	—	—	—	—	—	(605)	(605)
Balance, September 1, 2024	20,437,349	\$ 14,774	92,277,147	\$ 325,571	\$ 96,217	\$ 441,417	\$ (4,433)	\$ 873,546

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the 13-week and 26-week periods ended September 1, 2024 and August 27, 2023

(Unaudited, in thousands of Canadian dollars)

	Note	13-week periods ended		26-week periods ended	
		September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Operating activities					
Net income (loss) for the period		\$ 18,247	\$ (5,990)	\$ 34,080	\$ 11,480
Adjustments for:					
Depreciation and amortization		19,496	14,591	38,777	29,505
Depreciation on right-of-use assets	8	26,982	24,907	53,231	49,834
Finance expense	17	12,842	11,793	25,423	23,025
Stock-based compensation expense	14, 17	13,426	2,051	20,753	6,979
Unrealized loss (gain) on equity derivative contracts	12, 17	(6,507)	7,794	(5,837)	11,233
Income tax expense	18	8,998	588	16,473	3,821
Fair value adjustment of non-controlling interest in exchangeable shares liability	12, 17	—	—	—	(15,000)
Other		55	(287)	845	(582)
Cash generated before non-cash working capital balances and interest and income taxes		93,539	55,447	183,745	120,295
Net change in non-cash working capital	22	(1,396)	(32,668)	(54,655)	(49,434)
Cash generated before interest and income taxes		92,143	22,779	129,090	70,861
Interest paid		(817)	(1,726)	(1,655)	(2,820)
Interest paid on lease liabilities	8	(11,950)	(10,219)	(23,618)	(20,312)
Income taxes paid		(9,354)	(19,623)	(21,523)	(29,673)
Net cash generated from (used in) operating activities		70,022	(8,789)	82,294	18,056
Financing activities					
Proceeds from revolving credit facility	11	—	100,000	—	100,000
Repayment of principal on lease liabilities	8	(26,896)	(22,281)	(52,718)	(43,645)
Proceeds from lease incentives		2,059	2,840	6,850	11,874
Proceeds from options exercised	14	10,712	1,068	17,307	3,823
Shares repurchased for cancellation	13	—	(6,942)	—	(9,982)
Net cash generated from (used in) financing activities		(14,125)	74,685	(28,561)	62,070
Investing activities					
Purchase of property and equipment	6	(49,008)	(47,895)	(107,459)	(82,834)
Purchase of intangible assets	7	(2,721)	(648)	(4,618)	(1,247)
Contingent consideration payout, net relating to the acquisition of CYC Design Corporation ("CYC")	12	—	—	—	(6,303)
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)
Cash and cash equivalents – Beginning of period		100,671	58,793	163,277	86,510
Cash and cash equivalents – End of period		\$ 103,983	\$ 76,516	\$ 103,983	\$ 76,516

Supplemental cash flow information

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

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

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the "Company") are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. The Company provides immersive and highly personal shopping experiences at aritzia.com and in 122 boutiques throughout Canada and the United States.

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 1055 Dunsmuir Street, Suite 3000, Vancouver, B.C., Canada, V7X 1K8.

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

Basis of presentation

These unaudited condensed interim consolidated financial statements ("interim financial statements") have been prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements for the fiscal year ended March 3, 2024 ("Fiscal 2024") except as noted in Note 3. Certain information, in particular the accompanying notes normally included in the audited annual consolidated financial statements prepared in accordance with IFRS Accounting Standards, has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the Fiscal 2024 audited annual consolidated financial statements and the notes thereto. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

The Company's fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2025 is a 52-week year and Fiscal 2024 was a 53-week year. All references to Fiscal 2025 represent the fiscal year ending March 2, 2025.

Seasonality of operations

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

These unaudited condensed interim consolidated financial statements were authorized for issue on October 10, 2024 by the Audit Committee on behalf of the Company's Board of Directors ("Board").

2 Summary of material accounting policies

These interim financial statements have been prepared using the accounting policies as outlined in note 2 of the Fiscal 2024 audited consolidated financial statements, with the exception of any accounting standards adopted in Fiscal 2025.

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

3 Accounting policy developments

Several amendments to IFRS Accounting Standards apply for the first time in 2024 but did not have a material impact on the unaudited condensed interim consolidated financial statements of the Company. 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.

4 Judgements and estimates

The preparation of unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, 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 judgements 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.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied in note 4 of the Fiscal 2024 audited consolidated financial statements.

5 Inventory

	September 1, 2024	March 3, 2024
Finished goods	\$ 382,289	\$ 253,095
Finished goods-in-transit	99,273	77,924
Raw materials	1,036	9,126
Inventory	\$ 482,598	\$ 340,145

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of \$6.7 million and \$12.7 million for the 13-week and 26-week periods ended September 1, 2024 (13-week and 26-week periods ended August 27, 2023 - \$9.1 million and \$17.5 million, respectively). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the Company's revolving credit facility (note 11).

6 Property and equipment

During the 13-week and 26-week periods ended September 1, 2024, the Company had property and equipment additions of \$74.0 million and \$133.5 million, respectively (13-week and 26-week periods ended August 27, 2023 - \$48.3 million and \$92.6 million, respectively), the majority of which were related to leasehold improvements made to its boutiques, distribution centers and support offices, and the respective purchase of furniture and equipment for those spaces.

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

7 Goodwill and intangible assets

During the 13-week and 26-week periods ended September 1, 2024, the Company had intangible asset additions of \$2.5 million and \$5.0 million, respectively (13-week and 26-week periods ended August 27, 2023 - \$0.7 million and \$1.2 million, respectively), the majority of which were related to internally developed computer software.

8 Leases

The Company has the right to use real estate properties for its boutiques, distribution centers and support offices under non-cancellable lease agreements, together with periods covered by an option to extend or terminate, if the Company is reasonably certain it will exercise those options.

The following table reconciles the change in right-of-use assets for the 26-week period ended September 1, 2024:

	Right-of-use assets
Cost	
Balance, March 3, 2024	\$ 996,699
Additions, net of lease incentives received	120,770
Modifications	5,420
Foreign exchange	(3,762)
Balance, September 1, 2024	\$ 1,119,127
Accumulated depreciation	
Balance, March 3, 2024	\$ 364,408
Depreciation	52,859
Amortization of fair value adjustment on CYC leases	372
Modifications	142
Foreign exchange	(1,644)
Balance, September 1, 2024	\$ 416,137
Net carrying value	
Balance, March 3, 2024	\$ 632,291
Balance, September 1, 2024	\$ 702,990

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

The following table reconciles the change in the lease liabilities for the 26-week period ended September 1, 2024:

	Lease liabilities
Balance, March 3, 2024	\$ 805,886
Additions	127,711
Interest expense on lease liabilities	23,618
Repayment of interest and principal on lease liabilities	(76,336)
Modifications	5,323
Foreign exchange	(3,136)
Balance, September 1, 2024	\$ 883,066
Current portion of lease liabilities	92,473
Long-term portion of lease liabilities	790,593
Lease liabilities	\$ 883,066

The following table summarizes the Company's rent and rent-related expenses:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Depreciation on right-of-use assets, excluding fair value adjustments	\$ 26,743	\$ 24,774	\$ 52,859	\$ 49,568
Interest expense on lease liabilities (note 17)	11,950	10,219	23,618	20,312
Variable lease expense	4,938	5,068	10,231	11,854
Lease payments relating to short-term or low value leases	414	776	1,024	1,626
Common area maintenance, property taxes and other	16,886	13,053	33,736	24,192
Total rent and rent-related expenses	\$ 60,931	\$ 53,890	\$ 121,468	\$ 107,552

9 Accounts payable and accrued liabilities

	September 1, 2024	March 3, 2024
Trade accounts payable	\$ 252,147	\$ 133,676
Employee benefits payable	51,273	53,749
Other non-trade payables	27,596	15,609
Current portion of Restricted Share Unit ("RSU") plan liabilities (note 14)	2,695	9,801
Accounts payable and accrued liabilities	\$ 333,711	\$ 212,835

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

10 Other non-current liabilities

	September 1, 2024	March 3, 2024
Deferred Share Unit ("DSU") plan liabilities (note 14)	\$ 11,565	\$ 8,195
Deferred lease inducements	3,463	4,830
Asset retirement obligations	849	426
Other non-current liabilities	\$ 15,877	\$ 13,451

11 Bank indebtedness

The Company has a \$300.0 million revolving credit facility which 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%). Up to \$10.0 million of the facility can be drawn upon by way of a swingline loan. As at September 1, 2024, no amounts were drawn under the revolving credit facility (March 3, 2024 - \$nil).

The Company also has a revolving line of credit with a limit of US\$10.0 million and expiring on December 14, 2024. 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%). As at September 1, 2024, no amounts were drawn under the revolving line of credit (March 3, 2024 - \$nil).

The Company also has 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%. As at September 1, 2024, the amount available under these facilities was reduced to \$43.3 million (March 3, 2024 - \$80.8 million) by certain open letters of credit (note 20).

The revolving credit facility is collateralized by a first priority lien on all property and equipment, leased real property interests and inventory. In addition, the Company is required to maintain certain financial covenants. As at September 1, 2024 and March 3, 2024, the Company was in compliance with all financial covenants.

12 Financial instruments

Equity derivative contracts

The Company has equity derivative contracts (total return swaps) to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes.

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Unrealized loss (gain) on equity derivative contracts	\$ (6,507)	\$ 7,794	\$ (5,837)	\$ 11,233
			As at	
			September 1, 2024	March 3, 2024
Fair value of equity derivative contracts, asset (liability)			\$ 10,118	\$ 4,281

Unrealized gains and losses for the change in fair value for equity derivative contracts are recorded in other expense (income) in the condensed interim consolidated statements of operations. The positive and negative fair values of these contracts are recorded in prepaid expenses and other current assets and accounts payable and accrued liabilities, respectively, in the condensed interim consolidated statements of financial position.

Early 100% Acquisition of CYC Design Corporation ("CYC")

On May 26, 2023, the Company and CYC's exchangeable shareholders agreed to the Company's early acquisition of the remaining 25% ownership interest held through the CYC exchangeable shares. The Company issued 419,047 subordinate voting shares ("Upfront Shares") on May 26, 2023 and the right to receive additional subordinate voting shares ("Additional Shares") by March 31, 2026. The Upfront Shares were recognized in share capital (\$15.4 million) and the Additional Shares with an estimated value up to \$9.4 million were treated as compensation for future services with a portion recognized in contributed surplus (\$6.6 million) and the remainder, net of any changes estimated or final value, to be recognized over the period ending in Fiscal 2026.

The Upfront Shares are also subject to an escrow agreement with one third to be released at the end of each of Fiscal 2024, 2025 and 2026 (or earlier as agreed to by the Company and the CYC exchangeable shareholders) and subject to future adjustments ("Share Adjustments"). The Share Adjustments are treated as an embedded derivative and recorded within other non-current assets with a value of \$1.0 million as at September 1, 2024 (March 3, 2024 - \$1.0 million).

Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders in exchange for their 25% share of the total common shares at acquisition which resulted in recording a non-controlling interest in exchangeable shares liability. As a result of the Company's early acquisition of the remaining 25% CYC ownership interest, the Company revalued the non-controlling interest in exchangeable shares liability to \$20.5 million as at May 26, 2023 (February 26, 2023 - \$35.5 million) based on a Monte Carlo simulation which resulted in a \$15.0 million gain recorded in other expense (income) during the 26-week period ended August 27, 2023 and immediately settled the exchangeable shares liability.

Contingent consideration

The Company had a contingent consideration under the CYC purchase agreement that was based on future operating results of CYC during the measurement period ended January 31, 2023. During the 26-week period ended August 27, 2023, the Company paid the final amount (\$6.3 million) net of indemnities and shared costs pursuant to the purchase agreement.

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

13 Share capital

Normal course issuer bids ("NCIB") and automatic share purchase plans ("ASPP")

During the 26-week period ended September 1, 2024, the Company did not repurchase subordinate voting shares under the NCIB (26-week period ended August 27, 2023 - 282,300 subordinate voting shares for cancellation at an average price of \$35.36 per subordinate voting share for total cash consideration of \$10.0 million).

As at September 1, 2024, there were 20,437,349 multiple voting shares and 92,277,147 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at September 1, 2024. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

14 Stock-based compensation

Reflected in the condensed interim consolidated statements of operations as stock-based compensation expense are the following amounts:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Equity-settled plans				
Stock options	\$ 4,940	\$ 4,335	\$ 9,835	\$ 8,413
Restricted Share Units	2,276	1,393	3,763	2,468
Performance Share Units ("PSUs")	1,261	1,553	1,671	2,278
Cash-settled plans				
Restricted Share Units	1,655	(3,303)	2,112	(3,606)
Deferred Share Units	3,294	(1,927)	3,372	(2,574)
Stock-based compensation expense	\$ 13,426	\$ 2,051	\$ 20,753	\$ 6,979

Stock Options

Legacy Plan

Transactions for options granted under the Legacy Plan for the 26-week periods ended September 1, 2024 and August 27, 2023 were as follows:

	September 1, 2024		August 27, 2023	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	1,703,211	5.56	1,846,630	\$ 5.48
Exercised	(460,921)	4.47	(3,000)	3.57
Outstanding, at end of period	1,242,290	5.97	1,843,630	\$ 5.48
Exercisable, at end of period	1,242,920	5.97	1,843,630	\$ 5.48

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

Omnibus Plan

Transactions for options granted under the Omnibus Plan for the 26-week periods ended September 1, 2024 and August 27, 2023 were as follows:

	September 1, 2024		August 27, 2023	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of period	8,239,589	\$ 26.32	7,336,092	\$ 24.92
Granted	843,863	47.05	2,042,894	26.07
Exercised	(967,704)	15.76	(212,109)	17.97
Forfeited	(168,338)	32.49	(125,592)	32.11
Outstanding, at end of period	7,947,410	\$ 29.59	9,041,285	\$ 25.24
Exercisable, at end of period	3,420,832	\$ 25.08	4,154,537	\$ 19.52

The weighted average fair value of stock options estimated at the grant date for the 26-week period ended September 1, 2024 was \$22.50 (26-week period ended August 27, 2023 - \$11.72), based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	42.2% to 47.6%
Risk-free interest rate	3.3% to 3.6%
Expected life	5.0 to 8.0 years
Exercise price	\$35.82 to \$47.66

Director Deferred Share Unit Plan

The following table summarizes information related to DSUs:

	26-week periods ended	
	September 1, 2024	August 27, 2023
Number of units		
Outstanding, at beginning of period	232,207	182,811
Granted	18,695	23,757
Outstanding, at end of period	250,902	206,568

The fair value of the DSU liability as at September 1, 2024 was \$11.6 million (March 3, 2024 - \$8.2 million).

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 1, 2024

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

Restricted Share Unit Plan

The following tables summarize information related to RSUs:

	26-week periods ended			
	September 1, 2024		August 27, 2023	
	Cash-settled	Equity-settled	Cash-settled	Equity-settled
Number of units				
Outstanding, at beginning of period	319,699	786,568	496,221	360,588
Granted	—	339,517	—	397,623
Settled	(245,335)	—	(144,175)	—
Forfeited	(7,415)	(33,532)	(19,836)	(12,569)
Outstanding, at end of period	66,949	1,092,553	332,210	745,642

The fair value of the cash-settled RSU liability as at September 1, 2024 was \$2.7 million (March 3, 2024 - \$9.8 million).

Performance Share Unit Plan

The following table summarizes information related to PSUs:

	26-week periods ended	
	September 1, 2024	August 27, 2023
Number of units		
Outstanding, at beginning of period	497,746	201,060
Granted	178,393	268,027
Earned and unvested	—	51,389
Settled and issued	(125,495)	—
Outstanding, at end of period	550,644	520,476

15 Net income (loss) per share

Basic

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Net income (loss) attributable to shareholders of the Company	\$ 18,247	\$ (5,990)	\$ 34,080	\$ 11,480
Weighted average number of shares outstanding during the period (thousands)	112,361	110,767	111,910	110,628
Basic net income (loss) per share	\$ 0.16	\$ (0.05)	\$ 0.30	\$ 0.10

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Diluted

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Net income (loss) attributable to shareholders of the Company	\$ 18,247	\$ (5,990)	\$ 34,080	\$ 11,480
Weighted average number of shares for net income per diluted share (thousands)	116,035	110,767	115,412	114,547
Net income (loss) per diluted share	\$ 0.16	\$ (0.05)	\$ 0.30	\$ 0.10

For the 13-week and 26-week period ended September 1, 2024, 1,965,080 and 3,462,477, respectively, stock options and equity-settled RSUs and PSUs, along with the Additional Shares were not included in the calculation of diluted net income (loss) per share as they were anti-dilutive or contingently issuable (26-week period ended August 27, 2023 – 4,186,356 stock options and equity-settled RSUs along with the Additional Shares).

16 Net Revenue

Net revenue disaggregated for boutiques and eCommerce was as follows:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Retail net revenue	\$ 425,621	\$ 362,014	\$ 783,464	\$ 689,584
eCommerce net revenue	190,042	172,177	330,829	307,272
Net revenue	\$ 615,663	\$ 534,191	\$ 1,114,293	\$ 996,856

17 Expenses by nature

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Cost of goods sold				
Inventory and product-related costs and occupancy costs	\$ 328,362	\$ 312,775	\$ 568,569	\$ 561,044
Depreciation on right-of-use assets	24,891	23,052	49,163	46,095
Depreciation on property and equipment	14,924	11,518	29,531	22,920
Cost of goods sold	\$ 368,177	\$ 347,345	\$ 647,263	\$ 630,059

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	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Personnel expenses				
Salaries, wages and employee benefits	\$ 148,043	\$ 131,457	\$ 281,538	\$ 255,812
Stock-based compensation expense relating to employees (note 14)	10,132	4,625	17,381	9,553
Personnel expenses	\$ 158,175	\$ 136,082	\$ 298,919	\$ 265,365

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Finance expense				
Interest expense on lease liabilities (note 8)	\$ 11,950	\$ 10,219	\$ 23,618	\$ 20,312
Interest expense and banking fees	816	1,529	1,653	2,623
Amortization of deferred financing fees	76	45	152	90
Finance expense	\$ 12,842	\$ 11,793	\$ 25,423	\$ 23,025

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Other expense (income)				
Realized foreign exchange loss (gain)	\$ (983)	\$ 2,277	\$ (2,299)	\$ 2,281
Unrealized foreign exchange loss (gain)	3,003	(2,527)	3,113	(2,168)
Fair value adjustment of non-controlling interest in exchangeable shares liability (note 12)	—	—	—	(15,000)
Unrealized loss (gain) on equity derivative contracts (note 12)	(6,507)	7,794	(5,837)	11,233
CYC related costs and other expenses	376	419	2,621	1,751
Interest and other income	(1,418)	(675)	(3,089)	(1,180)
Other expense (income)	\$ (5,529)	\$ 7,288	\$ (5,491)	\$ (3,083)

18 Income taxes

The 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 tax rates for the 13-week and 26-week periods ended September 1, 2024 were as follows:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Statutory income tax rate	26.8%	26.7%	26.8%	26.7%
Effective income tax rate	33.0%	10.9%	32.6%	25.0%

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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 for the 13-week and 26-week periods ended September 1, 2024 and the 13-week period ended August 27, 2023. For the 26-week period ended August 27, 2023 the effective tax rates were driven largely by the non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability.

19 Segment information

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

The following table summarizes net revenue by geographic location of the Company's clients:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
United States	\$ 345,395	\$ 278,858	\$ 630,056	\$ 530,750
Canada	270,268	255,333	484,237	466,106
Net revenue	\$ 615,663	\$ 534,191	\$ 1,114,293	\$ 996,856

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

	September 1, 2024	March 3, 2024
Canada	\$ 751,789	\$ 693,567
United States	764,399	653,910
Non-current, non-financial assets	\$ 1,516,188	\$ 1,347,477

20 Commitments and contingencies

Product purchase obligations

At September 1, 2024, the Company had purchase obligations of \$89.2 million (March 3, 2024 - \$86.6 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

Letters of credit

At September 1, 2024, the Company had open letters of credit of \$20.4 million (March 3, 2024 - \$23.5 million).

21 Related party transactions

The Company is ultimately controlled by AHI Holdings Inc. and related entities which are controlled by a director and officer of the Company.

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The Company entered into the following transactions with related parties:

- a) During the 13-week and 26-week periods ended September 1, 2024, the Company made payments of \$2.5 million and \$5.1 million, respectively (13-week and 26-week periods ended August 27, 2023 - \$1.6 million and \$2.6 million, respectively), for lease of premises and management services and \$0.3 million and \$0.8 million, respectively (13-week and 26-week periods ended August 27, 2023 - \$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.
- b) Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Salaries, directors' fees and short-term benefits	\$ 1,508	\$ 1,259	\$ 2,897	\$ 2,512
Stock-based compensation expense	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 the 13-week and 26-week periods ended September 1, 2024 compared to the 13-week and 26-week periods ended August 27, 2023 was primarily due to the increase in the fair value of the DSU 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 the 26-week period ended August 27, 2023.

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22 Supplemental cash flow information

The net change in non-cash working capital balances for the 13-week and 26-week periods ended September 1, 2024 and August 27, 2023 were as follows:

	13-week periods ended		26-week periods ended	
	September 1, 2024	August 27, 2023	September 1, 2024	August 27, 2023
Accounts receivable	\$ (8,600)	\$ (2,446)	\$ (4,228)	\$ (599)
Inventory	(87,553)	(16,406)	(143,468)	(33,719)
Prepaid expenses and other current assets	(4,459)	(6,700)	(3,738)	(9,102)
Other assets	(129)	53	90	(1,238)
Accounts payable and accrued liabilities	94,839	(9,240)	93,675	(3,591)
Deferred revenue	4,506	2,071	3,014	(1,185)
Net change in non-cash working capital balances	\$ (1,396)	\$ (32,668)	\$ (54,655)	\$ (49,434)
Accrued purchases of property and equipment			\$ 50,462	\$ 23,847
Accrued purchases of intangible assets			\$ 398	\$ 172