

# ARITZIA

Aritzia Inc.

Consolidated Financial Statements  
**March 3, 2024 and February 26, 2023**  
(in thousands of Canadian dollars)



## Independent auditor's report

To the Shareholders of Aritzia Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aritzia Inc. and its subsidiaries (together, the Company) as at March 3, 2024 and February 26, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 3, 2024 and February 26, 2023;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 3, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Inventory</b></p> <p><i>Refer to note 2 – Material accounting policies, note 4 – Judgments and estimates and note 5 – Inventory to the consolidated financial statements.</i></p> <p>As at March 3, 2024, the Company held inventory of \$340.1 million including finished goods in transit of \$77.9 million. Inventory is carried at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventory includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres.</p> <p>We considered this a key audit matter due to the magnitude of the inventory balance and the audit effort involved in testing the inventory.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Tested the operating effectiveness of relevant controls relating to the accounting for inventory, including the mathematical accuracy of the weighted average cost method.</li><li>• Tested a sample of inventory items to purchase invoices.</li><li>• Observed the inventory count process for a sample of distribution centres and for a sample of boutiques near year-end and performed independent test counts.</li><li>• Tested, on a sample basis, the finished goods in transit as at year-end by agreeing to third party shipment documents, receipt of inventory to distribution centres and purchase invoices.</li><li>• Tested, on a sample basis, inventory received post year-end to receiving documents to assess whether inventory was recorded appropriately as at year-end.</li><li>• Tested how management determined net realizable value, which included testing a sample of inventory items to the most recent retail prices of the inventory items.</li></ul>

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## Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.



Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or



regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paulina Prokop.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia

May 2, 2024

Aritzia Inc.  
Consolidated Statements of Financial Position  
As at March 3, 2024 and February 26, 2023

(in thousands of Canadian dollars)

	Note	March 3, 2024	February 26, 2023
<b>Assets</b>			
Cash and cash equivalents		\$ 163,277	\$ 86,510
Accounts receivable		18,473	18,184
Income taxes recoverable		7,055	6,419
Inventory	5	340,145	467,634
Prepaid expenses and other current assets	12	37,270	33,101
<b>Total current assets</b>		<b>\$ 566,220</b>	<b>\$ 611,848</b>
Property and equipment	6	431,365	308,608
Intangible assets	7	84,975	86,382
Goodwill	7	198,846	198,846
Right-of-use assets	8	632,291	614,061
Other assets	12	5,164	3,830
Deferred tax assets	18	27,272	12,968
<b>Total assets</b>		<b>\$ 1,946,133</b>	<b>\$ 1,836,543</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	9, 12	\$ 212,835	\$ 221,712
Income taxes payable		1,606	—
Current portion of contingent consideration	12	—	6,619
Current portion of lease liabilities	8	107,322	117,316
Deferred revenue		81,669	71,653
<b>Total current liabilities</b>		<b>\$ 403,432</b>	<b>\$ 417,300</b>
Lease liabilities	8	698,564	654,690
Other non-current liabilities	10	13,451	21,499
Non-controlling interest in exchangeable shares liability	12	—	35,500
Deferred tax liabilities	18	23,191	21,767
<b>Total liabilities</b>		<b>\$ 1,138,638</b>	<b>\$ 1,150,756</b>
<b>Shareholders' equity</b>			
Share capital	13	\$ 307,737	\$ 265,519
Contributed surplus		96,249	68,682
Retained earnings		407,337	355,270
Accumulated other comprehensive loss		(3,828)	(3,684)
<b>Total shareholders' equity</b>		<b>807,495</b>	<b>685,787</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,946,133</b>	<b>\$ 1,836,543</b>

Commitments and contingencies

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Approved on behalf of the Board of Directors

Brian Hill

Director

John Currie

Director

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

**Aritzia Inc.**  
**Consolidated Statements of Operations**  
For the years ended March 3, 2024 and February 26, 2023

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

	Note	March 3, 2024	February 26, 2023
<b>Net revenue</b>	16, 19	\$ 2,332,350	\$ 2,195,630
<b>Cost of goods sold</b>	17	1,433,369	1,281,638
<b>Gross profit</b>		898,981	913,992
Selling, general and administrative		708,783	602,469
Stock-based compensation expense	14, 17	31,784	24,369
<b>Income from operations</b>		158,414	287,154
Finance expense	8, 11, 17	49,091	31,263
Other expense (income)	12, 17	(5,287)	(7,916)
<b>Income before income taxes</b>		114,610	263,807
Income tax expense	18	35,830	76,219
<b>Net income</b>		\$ 78,780	\$ 187,588
<b>Net income per share</b>			
Basic	15	\$ 0.71	\$ 1.70
Diluted	15	\$ 0.69	\$ 1.63
<b>Weighted average number of shares outstanding (thousands)</b>			
Basic	15	110,653	110,259
Diluted	15	114,194	115,301

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

**Aritzia Inc.**  
**Consolidated Statements of Comprehensive Income**  
For the years ended March 3, 2024 and February 26, 2023

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(in thousands of Canadian dollars)

	<b>March 3, 2024</b>	<b>February 26, 2023</b>
<b>Net income</b>	<b>\$ 78,780</b>	<b>\$ 187,588</b>
<b>Other comprehensive income (loss)</b>		
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation adjustment	<b>(144)</b>	<b>(3,309)</b>
<b>Comprehensive income</b>	<b>\$ 78,636</b>	<b>\$ 184,279</b>

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

# Aritzia Inc.

## Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 3, 2024 and February 26, 2023

(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				
<b>Balance, February 27, 2022</b>	21,937,349	\$ 15,858	89,181,069	\$ 235,433	\$ 56,342	\$ 223,553	\$ (375)	\$ 530,811
Net Income	—	—	—	—	—	187,588	—	187,588
Options exercised (note 14)	—	—	943,772	18,513	(7,202)	—	—	11,311
Stock-based compensation expense on equity-settled plans (note 14)	—	—	—	—	19,542	—	—	19,542
Share exchange at secondary offering (note 13)	(1,500,000)	(1,084)	1,500,000	1,084	—	—	—	—
Shares repurchased for cancellation (note 13)	—	—	(1,619,580)	(4,285)	—	(55,871)	—	(60,156)
Foreign currency translation adjustment	—	—	—	—	—	—	(3,309)	(3,309)
<b>Balance, February 26, 2023</b>	<b>20,437,349</b>	<b>\$ 14,774</b>	<b>90,005,261</b>	<b>\$ 250,745</b>	<b>\$ 68,682</b>	<b>\$ 355,270</b>	<b>\$ (3,684)</b>	<b>\$ 685,787</b>
Net Income	—	—	—	—	—	78,780	—	78,780
Options exercised (note 14)	—	—	1,388,360	30,139	(9,418)	—	—	20,721
Stock-based compensation expense on equity-settled plans (note 14)	—	—	—	—	30,339	—	—	30,339
Shares repurchased for cancellation (note 13)	—	—	(1,089,641)	(3,275)	—	(26,713)	—	(29,988)
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	—	—	—	—	—	—	(144)	(144)
<b>Balance, March 3, 2024</b>	<b>20,437,349</b>	<b>\$ 14,774</b>	<b>90,723,027</b>	<b>\$ 292,963</b>	<b>\$ 96,249</b>	<b>\$ 407,337</b>	<b>\$ (3,828)</b>	<b>\$ 807,495</b>

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

# Aritzia Inc.

## Consolidated Statements of Cash Flows

For the years ended March 3, 2024 and February 26, 2023

(in thousands of Canadian dollars)

	Note	March 3, 2024	February 26, 2023
<b>Operating activities</b>			
Net income for the period		\$ 78,780	\$ 187,588
Adjustments for:			
Depreciation and amortization		64,515	52,855
Depreciation on right-of-use assets	8	103,524	81,047
Impairment of right-of-use assets	8, 17	5,043	—
Finance expense	17	49,091	31,263
Stock-based compensation expense	14, 17	31,784	24,369
Unrealized loss on equity derivative contracts	12, 17	5,189	6,093
Income tax expense	18	35,830	76,219
Fair value adjustment of non-controlling interest in exchangeable shares liability	12, 17	(15,000)	—
Other	12, 17	(590)	(1,070)
Cash generated before non-cash working capital balances and interest and income taxes		358,166	458,364
Net change in non-cash working capital	22	97,002	(228,956)
Cash generated before interest and income taxes		455,168	229,408
Interest paid		(6,132)	(3,743)
Interest paid on lease liabilities	8	(42,679)	(27,336)
Income taxes paid		(47,534)	(123,416)
<b>Net cash generated from (used in) operating activities</b>		<b>358,823</b>	<b>74,913</b>
<b>Financing activities</b>			
Payment of financing fees	11	(611)	—
Repayment of principal on lease liabilities	8	(110,197)	(86,262)
Proceeds from lease incentives		21,405	13,538
Proceeds from options exercised	14	20,721	11,311
Shares repurchased for cancellation	13	(29,988)	(61,124)
<b>Net cash generated from (used in) financing activities</b>		<b>(98,670)</b>	<b>(122,537)</b>
<b>Investing activities</b>			
Purchase of property and equipment	6	(173,687)	(122,767)
Purchase of intangible assets	7	(2,974)	(2,821)
Contingent consideration payout, net relating to the acquisition of CYC Design Corporation ("CYC")	12	(6,303)	(5,625)
<b>Cash used in investing activities</b>		<b>(182,964)</b>	<b>(131,213)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(422)</b>	<b>102</b>
<b>Change in cash and cash equivalents</b>		<b>76,767</b>	<b>(178,735)</b>
<b>Cash and cash equivalents – Beginning of period</b>		<b>86,510</b>	<b>265,245</b>
<b>Cash and cash equivalents – End of period</b>		<b>\$ 163,277</b>	<b>\$ 86,510</b>

Supplemental cash flow information

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

# Aritzia Inc.

## Notes to Consolidated Financial Statements

March 3, 2024 and February 26, 2023

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(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 119 boutiques throughout Canada and the United States.

On June 25, 2021, the Company acquired 75% of the common shares in CYC Design Corporation (“CYC”) and on May 26, 2023 the Company acquired the remaining 25% interest in CYC (note 12). The results of operations, financial position, and cash flows of CYC, which owns the Reigning Champ brand, have been included in the Company's consolidated financial statements since the date of the 75% acquisition. CYC has four boutiques in Canada.

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

##### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, non-controlling interest in exchangeable shares liability, cash-settled deferred share units and restricted share units, as disclosed in the accounting policies set out in note 2. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

##### *Fiscal year*

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 2024 is a 53-week year and Fiscal 2023 was a 52-week year. All references to Fiscal 2024 represent the fiscal year ending March 3, 2024 and all references to Fiscal 2023 represent the fiscal year ended February 26, 2023.

##### *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Aritzia LP and CYC, domiciled in Canada, and United States of Aritzia Inc., domiciled in the United States. All intercompany transactions and balances are eliminated on consolidation and consistent accounting policies are applied across the Company.

##### *Functional and presentation currency*

The consolidated financial statements are presented in Canadian dollars. The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. The functional currency of the parent corporation and its Canadian operations is the Canadian dollar. The functional currency of the Company's U.S. operations is the U.S. dollar.

# Aritzia Inc.

## Notes to Consolidated Financial Statements

March 3, 2024 and February 26, 2023

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(in thousands of Canadian dollars, unless otherwise noted)

### *Cost of goods sold*

Cost of goods sold includes inventory and product-related costs, occupancy costs, and depreciation expense for the Company's boutiques and distribution centres.

### *Selling, general and administrative*

Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues and general and administrative operating expenses that are primarily fixed. Selling, general and administrative expenses also include depreciation and amortization expense for all support office assets and intangible assets.

### *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 consolidated financial statements were authorized for issue on May 2, 2024 by the Company's Board of Directors ("Board").

## **2 Material accounting policies**

### **Foreign currency translation**

Transactions denoted in foreign currencies are translated into the functional currency for the respective entity at the exchange rates at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date exchange rates, are recognized in profit or loss. Other non-monetary items on the consolidated statement of financial position denominated in foreign currencies are translated into the functional currencies using the exchange rates at the date of the transaction.

The Company's U.S. operations with a functional currency of U.S. dollars are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the reporting date. Revenues and expenses are translated into Canadian dollars at average exchange rates during the reporting period. The resulting translation adjustments are included in other comprehensive income.

### **Inventory**

Inventory, consisting of finished goods and raw materials, is carried at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres including freight and duty.

### **Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Costs and related accumulated depreciation for property and equipment are removed from the accounts upon their sale or disposition and the resulting gain or loss is reflected in the results of operations.

# Aritzia Inc.

## Notes to Consolidated Financial Statements

March 3, 2024 and February 26, 2023

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(in thousands of Canadian dollars, unless otherwise noted)

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, commencing when the assets are ready for use, as follows:

Computer hardware and software	3 - 7 years
Furniture and equipment	3 - 10 years
Leasehold improvements	shorter of lease term and estimated useful life

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate.

### Intangible assets

Intangible assets are recorded at cost and include trade names, trademarks, non-competition agreements and internally developed computer software.

Costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Costs include all expenditures that are directly attributable to the acquisition or development of the asset.

The Company capitalizes, in intangible assets, direct costs incurred during the application and infrastructure development stages of developing computer software for internal use. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives, are expensed as incurred.

The Aritzia and Reigning Champ trade names have been determined to have an indefinite life and are not amortized. The remaining intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Other trade names and trademarks	term of registration or up to a maximum of 20 years
Non-compete agreements	5 years
Computer software	3 - 7 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate.

### Impairment of non-financial assets

#### *General*

Impairment testing compares the carrying values of the assets or cash-generating units ("CGU") being tested with their recoverable amounts (the recoverable amount being the greater of an asset's or CGUs value in use or fair value less costs of disposal). To the extent that the carrying value of an asset or CGU exceeds its recoverable amount, the excess amount would be recorded as an impairment loss. Should the recoverable amounts for impaired assets or CGUs subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed.

#### *Property, plant and equipment, intangible assets, and right-of-use assets with finite lives*

Assets that are subject to depreciation or amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment.

# Aritzia Inc.

## Notes to Consolidated Financial Statements

March 3, 2024 and February 26, 2023

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(in thousands of Canadian dollars, unless otherwise noted)

### *Goodwill and intangible assets with indefinite lives*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company has selected the first day of the fourth quarter as the time of the annual impairment test. The recoverable amount of goodwill is based on value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the group of CGUs.

The fair value methodologies used by the Company in testing goodwill and indefinite-lived intangible assets include assumptions related to financial forecasts, sales trends, discount rates, terminal growth rates, royalty rates and other assumptions that are judgmental in nature. If future economic conditions or operating performance, such as declines in sales or increases in discount rates, are different than those projected by management in its most recent impairment tests for goodwill and indefinite-lived intangible assets, future impairment charges may be required. See note 7 for further details.

### **Leases**

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed and in-substance fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments, or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

Lease payments for assets that are exempt through the short-term exemption and variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the related lease terms. Proceeds from lease incentives are recognized as financing cash flows in the consolidated statement of cash flows.

### **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The Company's financial assets, which includes cash and cash equivalents and accounts receivable, are classified as amortized cost. The Company's financial liabilities, which includes accounts payable and accrued liabilities, lease liabilities and long term debt, are classified as amortized cost. The Company's equity derivative contracts, contingent consideration and non-controlling interest in exchangeable shares liability are classified as fair value through profit or loss ("FVTPL").

# Aritzia Inc.

## Notes to Consolidated Financial Statements

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(in thousands of Canadian dollars, unless otherwise noted)

Financial assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method if both of the following conditions are met and they are not designated as FVTPL:

- (i) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets not classified as amortized cost as described above are measured at FVTPL.

Financial liabilities are initially measured at fair value, less any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method.

Changes of the fair value of financial instruments classified as FVTPL are recorded in profit or loss in the period in which they arise. Gains and losses on financial instruments classified at amortized cost are recognized in profit or loss when the financial instruments are derecognized, modified or impaired.

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions using the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

### **Non-controlling interest in exchangeable shares liability**

Non-controlling interest in exchangeable shares liability represented exchangeable shares that could be put back to the Company's subsidiary at the option of the holder and were measured initially at its fair value at the date of acquisition. Subsequent changes in the fair value were recognized in profit and loss. The portion of change in fair value attributable to changes in the Company's own credit risk, if any, was recognized in other comprehensive income. See note 12 regarding the settlement of the exchangeable shares liability in Fiscal 2023.

### **Share capital**

Multiple voting shares and subordinate voting shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax, from the proceeds of the issuance. When share capital recognized as equity is re-purchased for cancellation, the amount of consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from share capital. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

# Aritzia Inc.

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### **Revenue recognition**

The Company recognizes revenue when control of the goods or services has been transferred to the customer. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This generally occurs when the product is delivered to the customer and therefore may be subject to deferral until delivered to or received by the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. Revenues are measured net of discounts and an estimated allowance for returns. Shipping fees charged to customers are recorded as revenue.

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 Company recognizes the related revenue. The Company estimates gift card breakage, to the extent there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions.

### **Employee benefits**

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses are expensed through cost of goods sold or selling, general and administrative expenses as the related service is provided.

Termination benefits are recognized as an expense when the Company has demonstrated commitment, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

### **Income tax expense**

Current and deferred income taxes are recognized in the Company's net income, except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income.

Current taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable income or loss. In addition, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liability, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# Aritzia Inc.

## Notes to Consolidated Financial Statements

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(in thousands of Canadian dollars, unless otherwise noted)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Stock-based compensation expense**

#### *General*

For stock-based compensation which vests in its entirety at one future point in time (cliff-vesting), the Company recognizes the expense on a straight-line basis over the vesting period. For stock-based compensation which vests in tranches, the Company recognizes the expense using the graded vesting method. An estimate of forfeitures during the vesting period is made at the date of grant, which is adjusted to reflect actual forfeitures. For stock-based compensation that is subject to performance criteria, it is earned only if certain performance targets are achieved, as established by the Board, along with any other vesting conditions over the vesting period and can decrease or increase if minimum or maximum performance targets are achieved.

#### *Equity-settled plans*

Stock option expense is initially recognized based on the fair value of the option at the grant date using the Black-Scholes option-pricing model, with a corresponding increase in contributed surplus. When stock options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are reclassified to share capital.

Compensation expense related to other equity-settled plans is measured based on an estimated fair value at the grant date, with a corresponding increase in contributed surplus. Upon settlement, the amount initially recognized in contributed surplus is reclassified to share capital.

#### *Cash-settled plans*

Compensation expense related to cash-settled plans is measured based on the market value of the Company's shares at grant date, with a corresponding liability. The liability is subsequently remeasured at each reporting date based on the market value of the Company's shares, with changes in fair value recognized as stock-based compensation expense over the vesting period.

### **Net income per share**

Basic net income per share is calculated by dividing the net income for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year. As all the classes of shares are subject to the same distribution rights, the Company performs the net income per share calculations as if all shares are a single class.

Diluted net income per share is calculated by dividing the net income for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year, plus the weighted average number of subordinate voting shares that would be issued on exercise of dilutive stock options granted, as calculated under the treasury stock method, and the dilutive impact of equity-settled restricted and performance share units granted and the non-controlling interest in exchangeable shares liability. .

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### 3 Accounting policy developments

#### Standards, interpretations and amendments issued and adopted

The Company assessed the impact of the following amendments and determined there is no material impact to the audited annual consolidated financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8); and,
- Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) which allows for a temporary relief from accounting for deferred income taxes under the Organisation for Economic Cooperation and Development's Pillar Two model rules. The Company is applying the temporary relief but based on preliminary review, the Company does not expect a material exposure to Pillar Two income taxes.

#### Standards, interpretations and amendments not yet effective and not yet applied

The Company is also currently assessing the potential impact of the following amendment:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).

### 4 Judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates about the future that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis and are based on management's best judgements and experience and other factors. Revisions to accounting estimates are recognized prospectively. Actual results may differ from these estimates.

Significant judgements and estimates made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

#### *Judgements*

- Lease terms: whether the Company is reasonably certain, at the lease commencement date, it will exercise available renewal or termination options and thus include such options in the lease terms (note 8).
- Impairment testing: judgement in determining the grouping of assets to identify its CGUs for purposes of testing for impairment.

#### *Estimates*

- Return allowances: estimates of expected returns based on historical return patterns.
- Inventories: estimates of inventory net realizable value (note 5), which requires the Company to utilize estimates related to product quality, damages, inventory shrinkage for lost or stolen items, future demand, selling prices, and market conditions. The Company periodically reviews its inventories and records a write-down if the cost exceeds net realizable value of inventory, based on the above factors.

# Aritzia Inc.

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- Goodwill and indefinite life intangible asset impairment testing: estimates in the impairment testing model, which incorporate estimates regarding future events including future cash flows, growth rates and discount rates (note 7). On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired using discounted future cash flow models.
- Incremental borrowing rate: estimates of the incremental borrowing rate used for calculating lease liabilities and right-of-use-assets. The Company estimates the incremental borrowing rate of each leased asset as the rate of interest that the Company 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 (note 8).
- Other: other estimates include determining the useful lives and depreciation methods applied to property, plant and equipment and intangible assets with definite lives for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue, provisions, and purchase price adjustments on business combinations; and in measuring certain fair values, including those relating to the valuation of assets and liabilities acquired in a business combinations, share-based payments, and financial instruments.

### 5 Inventory

	March 3, 2024	February 26, 2023
Finished goods	\$ 253,095	\$ 397,629
Finished goods-in-transit	77,924	60,527
Raw materials	9,126	9,478
<b>Inventory</b>	<b>\$ 340,145</b>	<b>\$ 467,634</b>

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 \$20.2 million for the year ended March 3, 2024 (February 26, 2023 - \$5.2 million). 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).

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## 6 Property and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware and software	Construction in- progress	Total
<b>Cost</b>					
Balance, February 27, 2022	\$ 296,202	\$ 69,831	\$ 29,241	\$ 18,720	\$ 413,994
Additions	62,605	14,689	6,061	44,067	127,422
Transfers from construction-in-progress	11,789	3,171	228	(15,188)	—
Dispositions	(5,105)	(2,282)	(2,510)	—	(9,897)
Foreign exchange	9,613	1,843	322	758	12,536
Balance, February 26, 2023	\$ 375,104	\$ 87,252	\$ 33,342	\$ 48,357	\$ 544,055
Additions	99,695	29,889	9,668	44,582	183,834
Transfers from construction-in-progress	14,436	26,408	5,434	(46,278)	—
Dispositions	(6,360)	(3,400)	(4,626)	—	(14,386)
Foreign exchange	(805)	(152)	(26)	(35)	(1,018)
<b>Balance, March 3, 2024</b>	<b>\$ 482,070</b>	<b>\$ 139,997</b>	<b>\$ 43,792</b>	<b>\$ 46,626</b>	<b>\$ 712,485</b>
<b>Accumulated depreciation</b>					
Balance, February 27, 2022	\$ 132,378	\$ 36,444	\$ 21,982	\$ —	\$ 190,804
Depreciation	34,902	9,540	4,546	—	48,988
Dispositions	(5,105)	(2,282)	(2,510)	—	(9,897)
Foreign exchange	4,421	867	264	—	5,552
Balance, February 26, 2023	\$ 166,596	\$ 44,569	\$ 24,282	\$ —	\$ 235,447
Depreciation	40,741	13,511	6,101	—	60,353
Dispositions	(6,360)	(3,400)	(4,626)	—	(14,386)
Foreign exchange	(237)	(44)	(13)	—	(294)
<b>Balance, March 3, 2024</b>	<b>\$ 200,740</b>	<b>\$ 54,636</b>	<b>\$ 25,744</b>	<b>\$ —</b>	<b>\$ 281,120</b>
<b>Net carrying value</b>					
Balance, February 26, 2023	\$ 208,508	\$ 42,683	\$ 9,060	\$ 48,357	\$ 308,608
<b>Balance, March 3, 2024</b>	<b>\$ 281,330</b>	<b>\$ 85,361</b>	<b>\$ 18,048</b>	<b>\$ 46,626</b>	<b>\$ 431,365</b>

Construction-in-progress primarily includes build costs for boutiques not yet opened.

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### 7 Goodwill and intangible assets

	Indefinite life trade names	Definite life trade names and trademarks	Computer software	Non-compete agreements	Construction- in- progress	Total Intangible assets	Goodwill
<b>Cost</b>							
Balance, February 27, 2022	\$ 72,292	\$ 19,184	\$ 35,356	\$ 1,200	\$ 1,674	\$ 129,706	\$ 198,846
Additions	—	—	—	—	2,851	2,851	—
Balance, February 26, 2023	\$ 72,292	\$ 19,184	\$ 35,356	\$ 1,200	\$ 4,525	\$ 132,557	\$ 198,846
Additions	—	—	719	—	2,036	2,755	—
Transfers from construction in progress	—	—	4,525	—	(4,525)	—	—
Dispositions	—	—	(2,314)	—	—	(2,314)	—
<b>Balance, March 3, 2024</b>	<b>\$ 72,292</b>	<b>\$ 19,184</b>	<b>\$ 38,286</b>	<b>\$ 1,200</b>	<b>\$ 2,036</b>	<b>\$ 132,998</b>	<b>\$ 198,846</b>
<b>Accumulated amortization</b>							
Balance, February 27, 2022	\$ —	\$ 14,625	\$ 27,523	\$ 160	\$ —	\$ 42,308	\$ —
Amortization	—	692	2,935	240	—	3,867	—
Balance, February 26, 2023	\$ —	\$ 15,317	\$ 30,458	\$ 400	\$ —	\$ 46,175	\$ —
Amortization	—	686	3,236	240	—	4,162	—
Dispositions	—	—	(2,314)	—	—	(2,314)	—
<b>Balance, March 3, 2024</b>	<b>\$ —</b>	<b>\$ 16,003</b>	<b>\$ 31,380</b>	<b>\$ 640</b>	<b>\$ —</b>	<b>\$ 48,023</b>	<b>\$ —</b>
<b>Net carrying value</b>							
Balance, February 26, 2023	\$ 72,292	\$ 3,867	\$ 4,898	\$ 800	\$ 4,525	\$ 86,382	\$ 198,846
<b>Balance, March 3, 2024</b>	<b>\$ 72,292</b>	<b>\$ 3,181</b>	<b>\$ 6,906</b>	<b>\$ 560</b>	<b>\$ 2,036</b>	<b>\$ 84,975</b>	<b>\$ 198,846</b>

Construction-in-progress includes internally generated computer software not put into use.

#### Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill is monitored corporately at the level of the Company's single operating segment. A pre-tax discount rate of 10.3% and a terminal growth assumption rate of 2.0% were used in the impairment model.

The Company's indefinite life trade names include Aritzia and Reigning Champ. As there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows, these intangible assets are considered to have indefinite useful lives. For the purposes of intangible assets with indefinite useful lives, CGUs are grouped at the lowest level that the assets are monitored for internal management purposes and for which largely independent cash flows are generated. The carrying values allocated to the CGUs' intangible assets with indefinite useful lives are set out in the following table:

	March 3, 2024	February 26, 2023
Aritzia trade name	\$ 46,092	\$ 46,092
Reigning Champ trade name	26,200	26,200
Indefinite life trade names	<b>\$ 72,292</b>	<b>\$ 72,292</b>

The recoverable amount of the indefinite life trade names is determined based on the relief from royalty method, calculated using discounted cash flows over five years with a terminal value generated from continuing

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use of the group of CGUs. The method considers the projected royalties that would otherwise be paid to the holder of the trade name, assuming an arm's length owner.

Specific cash flow estimates for the trade names are projected based on approved financial forecasts, annual growth assumptions, royalty rates, discount rates and a terminal growth rate to extrapolate the cash flow projections. A pre-tax discount rate of 10.3% and 16.3% for each of the Aritzia and Reigning Champ trade names, respectively, and a terminal growth assumption rate of 2.0% (based on the Bank of Canada's target inflation rate) were used in the impairment models for each trade name.

As at March 3, 2024 and February 26, 2023, management has determined that there was no impairment of goodwill or the indefinite life trade names. The Company believes that any reasonably possible change in the key assumptions on which the calculation of the recoverable amount of the CGUs is based would not cause the CGUs carrying values to exceed their recoverable amounts.

### 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 year ended March 3, 2024:

	<b>Right-of-use assets</b>
<b>Cost</b>	
Balance, February 26, 2023	\$ 878,593
Additions, net of lease incentives received	123,400
Modifications, including impairment of right-of-use assets	(2,698)
Foreign exchange	(2,596)
<b>Balance, March 3, 2024</b>	<b>\$ 996,699</b>
<b>Accumulated depreciation</b>	
Balance, February 26, 2023	\$ 264,532
Depreciation	102,992
Amortization of fair value adjustment on CYC leases	532
Modifications	(3,255)
Foreign exchange	(393)
<b>Balance, March 3, 2024</b>	<b>\$ 364,408</b>
<b>Net carrying value</b>	
Balance, February 26, 2023	\$ 614,061
<b>Balance, March 3, 2024</b>	<b>\$ 632,291</b>

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The following table reconciles the change in lease liabilities for the year ended March 3, 2024:

	<b>Lease liabilities</b>
Balance, February 26, 2023	\$ 772,006
Additions	142,492
Interest expense on lease liabilities (note 17)	42,679
Repayment of interest and principal on lease liabilities	(152,876)
Modifications	3,557
Foreign exchange	(1,972)
<b>Balance, March 3, 2024</b>	<b>\$ 805,886</b>
Current portion of lease liabilities	107,322
Long-term portion of lease liabilities	698,564
<b>Lease liabilities</b>	<b>\$ 805,886</b>

The following table summarizes the Company's rent and rent-related expenses for the year ended March 3, 2024:

	<b>March 3, 2024</b>	<b>February 26, 2023</b>
Depreciation on right-of-use assets, excluding fair value adjustments	\$ 102,992	\$ 80,515
Interest expense on lease liabilities (note 17)	42,679	27,336
Variable lease expense	21,960	26,370
Common area maintenance, property taxes and other	54,704	41,336
Lease payments relating to short-term or low value leases	3,446	2,670
<b>Total rent and rent-related expenses</b>	<b>\$ 225,781</b>	<b>\$ 178,227</b>

The future undiscounted minimum lease payments for the Company's leases for its premises, excluding other occupancy charges and variable lease payments, are as follows:

Less than 1 year	\$ 150,223
Between 1 and 5 years	464,396
More than 5 years	427,240
<b>Future undiscounted minimum lease payments</b>	<b>\$ 1,041,859</b>

As at March 3, 2024, the Company had future undiscounted minimum lease payments of \$245.5 million for leases committed to but not yet commenced (February 26, 2023 - \$146.1 million).

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### 9 Accounts payable and accrued liabilities

	March 3, 2024	February 26, 2023
Trade accounts payable	\$ 133,676	\$ 149,422
Employee benefits payable	53,749	44,205
Other non-trade payables	15,609	22,351
Current portion of Restricted Share Unit ("RSU") plan liabilities (note 14)	9,801	5,734
<b>Accounts payable and accrued liabilities</b>	<b>\$ 212,835</b>	<b>\$ 221,712</b>

### 10 Other non-current liabilities

	March 3, 2024	February 26, 2023
Deferred Share Unit ("DSU") plan liabilities (note 14)	\$ 8,195	\$ 14,914
Deferred lease inducements	4,830	6,174
Asset retirement obligations	426	411
<b>Other non-current liabilities</b>	<b>\$ 13,451</b>	<b>\$ 21,499</b>

### 11 Bank indebtedness

On October 27, 2023, the Company refinanced its revolving credit facility, extending the term to October 27, 2026. As part of the refinancing, the Company increased its existing revolving credit facility from \$175.0 million to \$300.0 million. The Company incurred \$0.6 million of financing fees as part of the refinancing in the year ended March 3, 2024, which have been deferred and are being amortized over the term of the facility. The refinancing is considered a debt modification under IFRS 9.

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% (February 26, 2023 – 0.50% and 2.50%). Up to \$10.0 million of the facility can be drawn upon by way of a swingline loan. As at March 3, 2024, no amounts were drawn under the revolving credit facility (February 26, 2023 - \$nil).

On December 14, 2023, the Company entered into an agreement for 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%. As at March 3, 2024, no amounts were drawn under the revolving line of credit.

The Company also has letters of credit facilities of CAD\$50.0 million and US\$40.0 million (February 26, 2023 - 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 March 3, 2024, the amount available under these facilities was reduced to \$80.8 million (February 26, 2023 - \$72.9 million) by certain open letters of credit (note 20).

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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 March 3, 2024 and February 26, 2023, the Company was in compliance with all financial covenants.

## 12 Financial instruments

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy and accounting classification:

	Classification	Fair Value Level	As at March 3, 2024		As at February 26, 2023	
			Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>						
Cash and cash equivalents	Amortized cost	1	\$ 163,277	\$ 163,277	\$ 86,510	\$ 86,510
Accounts receivable	Amortized cost	2	18,473	18,473	18,184	18,184
Equity derivative contracts	FVTPL	2	4,281	4,281	9,468	9,468
Share Adjustments	FVTPL	3	1,000	1,000	—	—
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	Amortized cost	2	\$ 212,835	\$ 212,835	\$ 221,712	\$ 221,712
Lease liabilities	Amortized cost	2	805,886	805,886	772,006	772,006
Contingent consideration	FVTPL	3	—	—	6,619	6,619
Non-controlling interest in exchangeable shares liability	FVTPL	3	—	—	35,500	35,500

There were no transfers between the levels of the fair value of hierarchy for the years ended March 3, 2024 and February 26, 2023.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these 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. During the year ended March 3, 2024, the Company recorded an unrealized loss of \$5.2 million (February 26, 2023 - unrealized loss of \$6.1 million) for the change in fair value for these contracts in the consolidated statements of operations in other expense (income). During the year ended March 3, 2024, the Company recorded realized gains of \$1.0 million (February 26, 2023 - realized gains of \$1.4 million) arising from the settlement of equity derivative contracts. As at March 3, 2024, the equity derivative contracts had a positive fair value of \$4.3 million (February 26, 2023 – \$9.5 million) which is recorded in prepaid expenses and other current assets in the consolidated statements of financial position.

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### Contingent consideration

The Company had a contingent consideration liability of \$13.2 million, payable in two equal instalments, under the CYC purchase agreement dated June 25, 2021 that was based on CYC's future operating results. During the year ended March 3, 2024, the Company paid the final instalment to the CYC shareholders net of \$0.3 million in indemnities and shared costs (year ended February 26, 2023 - net of \$1.0 million in indemnities and shared costs).

### Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders ("exchangeable shareholders") in exchange for their 25% share of the total common shares at acquisition. The exchangeable shares allow the holders to put back their shares to CYC in the following periods: one-third from May 1, 2024 to August 31, 2024, one-third from May 1, 2025 to August 31, 2025, and one-third from May 1, 2026 to August 31, 2026 (the "put options"). In the event that the exchangeable shareholders do not exercise the put options by August 31, 2026, the Company has an open-ended call option, but not an obligation, to purchase all of the shares held by the exchangeable shareholders (the "call option").

The exercise prices of the put options and the call option are based on certain specific operating results of CYC in the most recently completed fiscal year prior to exercise, subject to a capped enterprise value of \$60.0 million (remaining 25% purchase). Upon exercise, the options are settled through a variable number of the Company's shares based on a volume weighted average price ("VWAP") of the Company's shares for 30 consecutive trading days.

The fair value of the non-controlling interest in exchangeable shares liability is estimated initially, and on a recurring basis, based on a Monte Carlo simulation that has been used to simulate the potential fluctuations in CYC's operating results over the period to exercise. The cash flows associated with the modelled operating results are then discounted back to the valuation date.

As a result of the Company's early acquisition of the remaining 25% ownership interest held through the CYC exchangeable shares 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 situation which resulted in a \$15.0 million gain recorded in other expense (income). The following assumptions were used:

Initial business enterprise value (100%)	\$63.0 million
Capped enterprise value (remaining 25% purchase)	\$60.0 million
Gross profit expected volatility	11.0%
Gross profit discount rate	9.0%
Expected life	3.3 years

As at May 26, 2023, subsequent to the remeasurement discussed above, the non-controlling interest in exchangeable shares liability was settled and reduced to \$nil (February 26, 2023 - \$35.5 million) in connection with the early acquisition of CYC exchangeable shares with the offset recorded against share capital, contributed surplus and other non-current assets (net derivative asset).

### Early 100% Acquisition of CYC

On May 26, 2023, the Company and the 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 with a value based on certain Fiscal 2026

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operational performance metrics of the Reigning Champ brand. Both the Upfront Shares and Additional Shares are subject to forfeiture rates if the exchangeable shareholder leaves before the end of Fiscal 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 (\$2.8 million) 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 and subject to future adjustments ("Share Adjustments") based on set minimum and maximum total values at the end of Fiscal 2026. The Share Adjustments feature are treated as an embedded derivative within other non-current assets on the consolidated statements of financial position. The Share Adjustments value was \$1.0 million on March 3, 2024 (at closing on May 26, 2023, \$1.5 million) resulting in a \$0.5 million loss during the year ended March 3, 2024 included in other expense (income).

### 13 Share capital

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

On January 18, 2024, the Company announced that the TSX accepted its notice of intention to proceed with a NCIB ("2024 NCIB"). Under the 2024 NCIB, Aritzia may purchase up to 3,515,740 of its subordinate voting shares during the twelve-month period commencing January 22, 2024 and ending January 21, 2025. On February 21, 2024, the Company announced that it entered into an automatic share purchase plan (the "2024 ASPP") with a designated broker allowing the Company to purchase its subordinate voting shares under the 2024 NCIB during predetermined blackout periods.

The NCIB approved by the TSX on January 18, 2023 ("2023 NCIB") allowed the company to repurchase and cancel up to 3,860,745 of its subordinate voting shares over the 12 month period commencing January 20, 2023 and ending January 19, 2024. On February 3, 2023, the Company entered into an ASPP (the "2023 ASPP"), which commenced immediately and terminated upon the termination of the 2023 NCIB.

During the year ended March 3, 2024, the Company repurchased a total of 1,089,641 subordinate voting shares for cancellation at an average price of \$27.51 per subordinate voting share for total cash consideration of \$30.0 million (52-week period ended February 26, 2023 - 1,619,580 subordinate voting shares for cancellation at an average price of \$37.14 per subordinate voting share for total cash consideration of \$60.2 million).

As at March 3, 2024, there were 20,437,349 multiple voting shares and 90,723,027 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at March 3, 2024. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

#### **Secondary offerings**

From time to time, the Company will announce a secondary offering on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and/or controlled, directly or indirectly, by Brian Hill, Founder and Executive Chair of Aritzia, or Brian Hill and his immediate family (collectively, the "Selling Shareholders"). The Company does not receive any proceeds from the secondary offerings. Underwriting fees are paid by the Selling Shareholders and other expenses related to the secondary offerings are paid by the Company.

On November 14, 2022, the Company announced a secondary offering (the "2022 Secondary Offering"). As part of the 2022 Secondary Offering, during the year ended February 26, 2023, the Selling Shareholders exchanged 1,500,000 of their multiple voting shares for subordinate voting shares for \$51.60 per subordinate

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voting share resulting gross proceeds of \$77.4 million to the Selling Shareholders, and expenses paid by the Company of \$0.5 million.

### 14 Stock-based compensation

#### Details of stock-based compensation expense

Prior to the Company's initial public offering (the "IPO") the Company had a legacy equity incentive plan (the "Legacy Plan") pursuant to which it had granted stock options to directors, employees, consultants and advisors. Concurrent with the IPO, the Company implemented a long-term incentive plan (the "Omnibus plan") for certain officers, directors, employees or consultants. The Omnibus plan includes stock options, RSUs and PSUs. The Company also has a DSU plan for non-employee directors.

Details of the Company's Omnibus plan are included in the following table:

<b>Unit type</b>	<b>Vesting</b>	<b>Settled in cash or equity</b>
Stock Options	Five-year graded vesting	Equity
Deferred Share Unit	Immediately at time of grant	Cash (not redeemable until the eligible director ceases to be a member of the Board)
Restricted Share Unit	Third anniversary of award date	Cash, equity or combination at the discretion of the Board on the grant date
Performance Share Unit	Third anniversary of award date	Cash, equity or combination at the discretion of the Board on the grant date

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

	<b>March 3, 2024</b>	<b>February 26, 2023</b>
<b>Equity-settled plans</b>		
Stock options	\$ 19,115	\$ 14,467
Restricted Share Units	6,134	2,666
Performance Share Units	5,090	2,409
<b>Cash-settled plans</b>		
Restricted Share Units	917	4,742
Deferred Share Units	528	85
<b>Stock-based compensation expense</b>	<b>\$ 31,784</b>	<b>\$ 24,369</b>

#### Stock Options

##### *Legacy Plan*

Following completion of the IPO in October 2016, no additional options will be granted under the Legacy Plan. All issued options expire after 10 or 15 years from the date granted.

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Transactions for options granted under the Legacy Plan for the years ended on March 3, 2024 and February 26, 2023 were as follows:

	March 3, 2024		February 26, 2023	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	1,846,630	5.48	2,213,883	\$ 5.35
Exercised	(143,419)	4.50	(367,253)	4.68
Outstanding, at end of year	1,703,211	5.56	1,846,630	\$ 5.48
Exercisable, at end of year	1,703,211	5.56	1,846,630	\$ 5.48

The weighted average share price on the dates the stock options were exercised during the year ended March 3, 2024 was \$32.36 (February 26, 2023 - \$49.22).

The outstanding and exercisable Legacy Plan stock options as at March 3, 2024 were 1,703,211 stock options, with a weighted average remaining contractual life of 1.48 and weighted average exercise price of \$5.56.

### *Omnibus Plan*

All issued options expire after 7 or 10 years from the date granted.

Transactions for options granted under the Omnibus Plan for the years ended March 3, 2024 and February 26, 2023 were as follows:

	March 3, 2024		February 26, 2023	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	7,336,092	\$ 24.92	6,380,499	\$ 21.16
Granted	2,425,358	25.94	1,743,661	36.58
Exercised	(1,244,941)	16.13	(576,343)	16.65
Forfeited	(276,920)	31.66	(211,725)	30.42
Outstanding, at end of year	8,239,589	\$ 26.32	7,336,092	\$ 24.92
Exercisable, at end of year	3,179,053	\$ 21.26	3,473,844	\$ 17.15

The weighted average share price on the dates the stock options were exercised during the year ended March 3, 2024 was \$31.49 (February 26, 2023 - \$49.85).

# Aritzia Inc.

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Information relating to the Company's Omnibus Plan stock options outstanding and exercisable as at March 3, 2024 is as follows:

Range of exercise prices	Stock options outstanding			Stock options exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price
\$12.99 to \$21.05	2,740,293	1.90	\$ 15.97	2,242,830	1.59	\$ 15.45
\$21.06 to \$28.68	2,262,618	9.23	\$ 25.41	31,598	3.20	\$ 23.46
\$28.69 to \$59.75	3,236,678	7.91	\$ 35.71	904,625	7.68	\$ 35.58
	8,239,589	6.27	\$ 26.32	3,179,053	3.34	\$ 21.26

The weighted average fair value of stock options estimated at the grant date for the year ended March 3, 2024 was \$11.68 (February 26, 2023 - \$15.24), based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	43.3% to 46.7%
Risk-free interest rate	2.9% to 4.2%
Expected life	5.0 to 6.0 years
Exercise price	\$23.63 to \$34.15

The expected volatility reflects the historical volatility in the price of the Company's shares over the expected life.

### Restricted Share Unit Plan

The following table summarizes information related to RSUs for the years ended March 3, 2024 and February 26, 2023:

	March 3, 2024		February 26, 2023	
	Cash-settled	Equity-settled	Cash-settled	Equity-settled
<b>Number of units</b>				
Outstanding, at beginning of year	496,221	360,588	652,846	—
Granted	—	476,328	—	371,835
Settled	(159,758)	—	(95,876)	—
Forfeited	(16,764)	(50,348)	(60,749)	(11,247)
Outstanding, at end of year	319,699	786,568	496,221	360,588
<b>Additional information</b>				
Fair value of RSU liability	9,801	—	12,983	—

The weighted average fair value of the grant price for the year ended March 3, 2024 was \$26.16 (February 26, 2023 - \$36.86).

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### Performance Share Unit Plan

The Company had 497,746 PSUs outstanding, with 268,027 granted with a weighted average fair value of \$25.58 and 28,659 earned and unvested during the year ended March 3, 2024 (year ended February 26, 2023 - 104,224 granted, weighted average fair value of \$35.98).

### Director Deferred Share Unit Plan

The Company had 232,207 DSUs outstanding and vested at March 3, 2024 (February 26, 2023 - 182,811), with 49,396 issued at a weighted average fair value of \$28.82 during the year ended March 3, 2024 (year ended February 26, 2023 - 28,985, weighted average fair value of \$42.91). The fair value of the DSU liability at March 3, 2024 was \$8.2 million (February 26, 2023 - \$7.7 million).

## 15 Net income per share

### Basic

	March 3, 2024	February 26, 2023
Net income attributable to shareholders of the Company	\$ 78,780	\$ 187,588
Weighted average number of shares outstanding during the period (thousands)	110,653	110,259
<b>Basic net income per share</b>	<b>\$ 0.71</b>	<b>\$ 1.70</b>

### Diluted

	March 3, 2024	February 26, 2023
Net income attributable to shareholders of the Company	\$ 78,780	\$ 187,588
Weighted average number of shares for net income per diluted share (thousands)	114,194	115,301
<b>Net income per diluted share</b>	<b>\$ 0.69</b>	<b>\$ 1.63</b>

For the year ended March 3, 2024, 5,471,986 stock options and equity-settled RSUs, respectively, 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 (year ended February 26, 2023 – 1,928,728 stock options and equity-settled RSUs).

## 16 Net Revenue

Net revenue disaggregated for boutiques and eCommerce was as follows:

	March 3, 2024	February 26, 2023
Retail net revenue	\$ 1,547,046	\$ 1,425,779
eCommerce net revenue	785,304	769,851
<b>Net revenue</b>	<b>\$ 2,332,350</b>	<b>\$ 2,195,630</b>

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### 17 Expenses by nature

	March 3, 2024	February 26, 2023
<b>Cost of goods sold</b>		
Inventory and product-related costs and occupancy costs	\$ 1,287,061	\$ 1,162,199
Depreciation on right-of-use assets	95,641	77,730
Depreciation on property and equipment	50,667	41,709
<b>Cost of goods sold</b>	<b>\$ 1,433,369</b>	<b>\$ 1,281,638</b>

	March 3, 2024	February 26, 2023
<b>Personnel expenses</b>		
Salaries, wages and employee benefits	\$ 553,055	\$ 483,182
Stock-based compensation expense relating to employees (note 14)	31,256	24,369
<b>Personnel expenses</b>	<b>\$ 584,311</b>	<b>\$ 507,551</b>

	March 3, 2024	February 26, 2023
<b>Finance expense</b>		
Interest expense on lease liabilities (note 8)	\$ 42,679	\$ 27,336
Interest expense and banking fees	6,157	3,743
Amortization of deferred financing fees	255	184
<b>Finance expense</b>	<b>\$ 49,091</b>	<b>\$ 31,263</b>

	March 3, 2024	February 26, 2023
<b>Other expense (income)</b>		
Realized foreign exchange loss (gain)	\$ 22	\$ (9,109)
Unrealized foreign exchange loss (gain)	(19)	(1,657)
Fair value adjustment of non-controlling interest in exchangeable shares liability (note 12)	(15,000)	—
Unrealized loss (gain) on equity derivative contracts (note 12)	5,189	6,093
Realized loss (gain) on equity derivative contracts (note 12)	(1,048)	(1,387)
CYC integration and acquisition costs (including Share Adjustments revaluation)	4,200	467
Impairment of right-of-use assets and lease exit costs	5,862	—
Secondary Offering costs (note 13)	—	518
Interest and other income	(4,493)	(2,841)
<b>Other expense (income)</b>	<b>\$ (5,287)</b>	<b>\$ (7,916)</b>

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### 18 Income taxes

#### Income tax expense

	March 3, 2024	February 26, 2023
Current period	\$ 48,979	\$ 64,541
Adjustments with respect to prior periods	(373)	327
<b>Current tax expense</b>	<b>48,606</b>	<b>64,868</b>
Origination and reversal of temporary differences	(12,823)	11,256
Changes in substantively enacted tax rates	292	180
Adjustments with respect to prior periods	(245)	(85)
Deferred tax expense (recovery)	\$ (12,776)	\$ 11,351
<b>Income tax expense</b>	<b>\$ 35,830</b>	<b>\$ 76,219</b>

#### Reconciliation of effective tax rate

The Company's income tax expense differs from that calculated by applying the combined substantively enacted Canadian federal and provincial statutory income tax rates for the years ended March 3, 2024 and February 26, 2023 of 26.7% and 26.6%, respectively, as follows:

	March 3, 2024	February 26, 2023
Income before income taxes	\$ 114,610	\$ 263,807
Expected income tax expense	30,601	70,173
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	7,915	5,119
Net non-taxable fair value adjustment of non-controlling interest in exchangeable shares liability and Share Adjustments	(3,872)	—
Foreign tax rate differences	266	541
Change in substantively enacted tax rates	292	180
Other	628	206
<b>Income tax expense</b>	<b>\$ 35,830</b>	<b>\$ 76,219</b>

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### Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at March 3, 2024 and February 26, 2023 are as follows:

	March 3, 2024	February 26, 2023
Leases	\$ 51,859	\$ 42,716
Inventory	18,035	3,966
Deferred revenue	7,834	5,502
Stock-based compensation	3,928	3,053
Accounts payable and accrued liabilities	3,123	3,024
Net operating loss	2,199	1,110
Deferred lease incentives	1,385	1,790
Financing and share issuance costs	951	970
Other	103	772
<b>Deferred tax assets</b>	<b>\$ 89,417</b>	<b>\$ 62,903</b>
Property and equipment	\$ 53,169	\$ 31,159
Goodwill and intangible assets	31,767	40,529
Other	400	14
<b>Deferred tax liabilities</b>	<b>\$ 85,336</b>	<b>\$ 71,702</b>
<b>Net deferred tax assets (liabilities)</b>	<b>\$ 4,081</b>	<b>\$ (8,799)</b>

The net change in net deferred income tax assets (liabilities) is recorded as follows:

	March 3, 2024	February 26, 2023
Deferred tax expense (recovery) recorded in net income	\$ (12,776)	\$ 11,351
Foreign currency translation adjustment on deferred taxes	(104)	(1,000)
<b>Net change in deferred tax liabilities</b>	<b>\$ (12,880)</b>	<b>\$ 10,351</b>

Of the deferred income tax balances, the Company expects \$32.9 million of the deferred tax assets to be recovered within 12 months and \$13.2 million of the deferred tax liabilities to be settled within 12 months.

The Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries; accordingly, the Company has not recorded a deferred tax liability on these earnings.

## 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.

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

	March 3, 2024	February 26, 2023
United States	\$ 1,226,476	\$ 1,120,962
Canada	1,105,874	1,074,668
<b>Net revenue</b>	<b>\$ 2,332,350</b>	<b>\$ 2,195,630</b>

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

	March 3, 2024	February 26, 2023
Canada	\$ 693,567	\$ 693,303
United States	653,910	514,594
<b>Non-current, non-financial assets</b>	<b>\$ 1,347,477</b>	<b>\$ 1,207,897</b>

## 20 Commitments and contingencies

### Product purchase obligations

At March 3, 2024, the Company had purchase obligations of \$86.6 million (February 26, 2023 - \$158.0 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

### Letters of credit

At March 3, 2024, the Company had open letters of credit of \$23.5 million (February 26, 2023 - \$31.6 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.

During the year ended March 3, 2024, the Company made payments of \$9.9 million (February 26, 2023 - \$5.4 million) for lease of premises and management services and \$0.7 million (February 26, 2023 - \$1.3 million) 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 March 3, 2024, \$0.5 million was included in accounts payable and accrued liabilities (February 26, 2023 - nominal) and \$0.8 million was included in prepaid expenses and other current assets for the lease of premises (February 26, 2023 - \$nil). As at March 3, 2024, the outstanding balance of lease liabilities owed to these companies was \$45.6 million (February 26, 2023 - \$49.7 million). These transactions were measured at the amount of consideration established at market terms.

Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

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	March 3, 2024	February 26, 2023
Salaries, directors' fees and short-term benefits	\$ 5,149	\$ 4,404
Stock-based compensation expense	10,055	6,617
<b>Key management compensation</b>	<b>\$ 15,204</b>	<b>\$ 11,021</b>

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 Fiscal 2024.

## 22 Supplemental cash flow information

The net change in non-cash working capital balances for the years ended March 3, 2024 and February 26, 2023 were as follows:

	March 3, 2024	February 26, 2023
Accounts receivable	\$ (1,554)	\$ (3,616)
Inventory	126,877	(252,376)
Prepaid expenses and other current assets	(12,094)	(6,869)
Other assets	(2,094)	322
Accounts payable and accrued liabilities	(24,485)	20,053
Deferred revenue	10,352	13,530
<b>Net change in non-cash working capital balances</b>	<b>\$ 97,002</b>	<b>\$ (228,956)</b>

Accrued purchases of property and equipment	\$ 24,029	\$ 14,231
Accrued purchases of intangible assets	\$ —	\$ 219

## 23 Financial risk management

The Company is exposed to a variety of financial risks in the normal course of operations including currency, equity price, credit and liquidity risk, as summarized below. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's consolidated financial performance.

Risk management is carried out under practices approved by the Company's Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of the Company's 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, equity price risk, credit risk and liquidity risk.

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### **Market risk**

#### *Currency risk*

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, monetary assets and liabilities denominated in a foreign currency, and net investments in foreign operations. The Company sources the majority of its raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. In addition, the Company operates boutiques in the United States. The Company's foreign exchange risk is primarily with respect to the U.S. dollar and the Company has limited exposure to other currencies. Foreign currency forward contracts are used from time to time to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada. The Company did not utilize foreign currency forward contracts during the year ended March 3, 2024.

As at March 3, 2024, a \$0.05 variation in the Canadian dollar against the U.S. dollar on net monetary accounts in U.S. dollars would, with all other variables being constant, have an approximate favourable (or unfavourable) impact of \$0.3 million on net income.

#### *Interest rate risk*

The Company has a revolving credit facility and revolving line of credit which provide 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, the Company is exposed to market risks relating to changes in interest rates on outstanding balances. As at March 3, 2024, no advances were made under the revolving credit facility and revolving line of credit.

#### *Equity price risk*

The Company is exposed to risk arising from cash-settled RSUs and DSUs, as an appreciating subordinate voting share price increases the potential cash outflow. The Company records a liability for the potential future settlement of the RSUs and DSUs by reference to the fair value of the liability. The company uses equity derivative contracts (total return swaps) to offset the cash flow variability of the expected payment associated with RSUs and DSUs. The Company only enters into equity derivative contracts with major financial institutions. As at March 3, 2024, an increase (or decrease) in the Company's share price by \$1.00 would result in an increase (or decrease) of \$0.5 million in the fair value of the liability.

### **Credit risk**

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable, and derivative contracts used to hedge market risks. The Company offsets credit risks associated with cash and cash equivalents by depositing its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. The Company is exposed to credit risk on accounts receivable from its landlords for tenant allowances. To reduce this risk, the Company enters into leases with landlords with established credit history and, for certain leases, the Company may offset rent payments until accounts receivable are fully satisfied. The Company only enters into derivative contracts with major financial institutions.

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(in thousands of Canadian dollars, unless otherwise noted)

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages liquidity risk through various means, including monitoring actual and projected cash flows, taking into account the seasonality of its revenue, income, working capital and capital expenditure needs. The Company's revolving credit facility and the revolving line of credit are used to maintain liquidity. As at March 3, 2024 and February 26, 2023, no advances were made under the revolving credit facility and revolving line of credit. As at March 3, 2024, the Company also has letters of credit facilities of CAD\$50.0 million and US\$40.0 million (February 26, 2023 – CAD\$50.0 million and US\$40.0 million), of which \$23.5 million of letters of credit were outstanding (February 26, 2023 – \$31.6 million).

The following table summarizes the undiscounted contractual maturities of the Company's financial liabilities as at March 3, 2024:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 212,835	\$ —	\$ —	\$ 212,835
Lease liabilities	150,223	464,396	427,240	1,041,859
<b>Total</b>	<b>\$ 363,058</b>	<b>\$ 464,396</b>	<b>\$ 427,240</b>	<b>\$ 1,254,694</b>

## 24 Capital management

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to enable the financing of capital projects thereby facilitating its growth;
- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business; and
- maintain a flexible capital structure that optimizes the cost of capital at an acceptable risk and preserves the ability to meet financial obligations.

The Company defines capital as its revolving credit facility, revolving line of credit and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new boutique additions, existing boutique expansion and renovation projects, and other infrastructure investments. The Company currently funds these requirements out of its internally generated cash flows.

The Company is subject to financial covenants and collateral pursuant to its revolving credit facility presented in note 11.