

09-Jul-2020

Aritzia, Inc. (ATZ.CA)

Q1 2021 Earnings Call

# CORPORATE PARTICIPANTS

## **Helen Kelly**

Vice President of Investor Relations, Aritzia, Inc.

#### Brian Hill

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

## Jennifer Wong

President, Chief Operating Officer, Corporate Secretary & Director, Aritzia, Inc.

## **Todd Ingledew**

Chief Financial Officer, Aritzia, Inc.

# OTHER PARTICIPANTS

Mark R. Altschwager

Analyst, Robert W. Baird & Co., Inc.

Patricia A. Baker

Analyst, Scotiabank

Irene Nattel

Analyst, RBC Capital Markets

**Mark Petrie** 

Analyst, CIBC World Markets, Inc.

Stephen MacLeod

Analyst, BMO Capital Markets Corp. (Canada)

# MANAGEMENT DISCUSSION SECTION

**Operator:** This is the conference operator. Welcome to Aritzia's First Quarter 2021 Earnings Call. As a reminder, all participants are in a listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. [Operator Instructions]

I will now turn the conference over to Helen Kelly, Vice President of Investor Relations. Please go ahead.

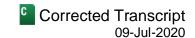
## Helen Kelly

Vice President of Investor Relations, Aritzia, Inc.

Thank you, Anastasia. And thank you, all, for joining Aritzia's first quarter 2021 earnings conference call. On the call today, I'm joined by Brian Hill, our Founder, Chief Executive Officer and Chairman; Jennifer Wong, President and Chief Operating Officer; and Todd Ingledew, our Chief Financial Officer.

Following management discussion, we'll host a question-and-answer period open to analysts and investors. Please note that remarks on this conference call may include our expectation, future plans and intentions that may constitute forward-looking statements. In particular, COVID-19 continues to have a significant impact on our sales and operations. The uncertain and dynamic nature of current conditions, and its ongoing impact could continue to materially alter our performance.

We would refer you to our most recently filed management discussion and analysis and annual information form, which include a summary of the material assumptions, as well as certain material risks and factors that could affect our future performance and our ability to deliver on these forward-looking statements.



Our earnings release and related financial statements and MD&A are available in SEDAR, as well as the Investor Relations section of our website aritzia.com.

I will now turn the call over to Brian.

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Thank you, Helen, and thank you, everyone, for joining us this afternoon. The impact of COVID-19 to the economy and the retail industry in our first quarter was without precedent. Our measured approach in Q1 effectively mitigated the impact of the virus, and while there's some great uncertainty as to how the crisis will evolve, we continue to take a similarly measured approach in Q2.

Notably, the social justice and racial equality movement that has risen since our last call also deserves our attention, our support, and significant action. Jennifer is heading up our initiative on diversity and inclusion for Aritzia, and will speak more to this in a few moments.

The first quarter was certainly a difficult period. That being said, it was also a period of learning, and one that is presenting us with new opportunities. As COVID-19 spread across North America, we experienced a meaningful decline in our sales in the first two weeks of March, before temporarily closing all 96 of our boutiques. It wasn't easy seeing all our boutiques closed for the most – for most part of the quarter, and the corresponding decline in our revenues and our profitability.

In addition, our initial concerns that regulations would shut down our eCommerce business were worrisome. We were relieved when we were able to continue to operate online and are thankful to our entire team, in particular our eCommerce, marketing, distribution center, and concierge teams, who worked tirelessly to ensure our eCommerce operations ran seamlessly.

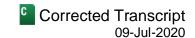
On our last earnings call, we shared our expectations for first quarter net revenue in the range of CAD 105 million to CAD 110 million. Q1 resulted in a net revenue of CAD 111 million, a reduction of 43% from the first quarter last year.

With retail comprising 80% of our business in Q1 last year, the financial impact of our closures was significant. I trust you all appreciate the irony that with all our stores shuttered, this was technically our 23rd and likely last quarter in our streak of positive same-store sales.

Upon our – upon closure of our boutiques, we took immediate action to drive eCommerce revenue. We pivoted quickly and we merchandised aritzia.com to lead the product and marketing that was relevant to new stay-athome measures. We positioned our store merchandise back into our distribution centers to be sold online.

Removed minimums for free shipping, relaxed our return policy and launched two successful online sales events. These measures together with our beautiful product assortment, best-in-class distribution center, aspirational website and loyal clientele led to eCommerce growth in excess of 150% through to the end of the quarter.

We began a phased reopening of our boutiques on May 7, with 30 boutiques reopened at the end of the quarter. Since we began reopening, we have seen our clients show excitement to shop in our boutiques reconnecting with their style advisors and enjoying the everyday luxury experience they have come to love and expect from us.



That said, we aren't yet able to maximize our clients enthusiasm due to some of the following health and safety measures we have put in place, notably, reduced boutique capacity, physical distancing protocols, including every second fitting room closed, sanitation standards for our people and our product, an upgraded cleaning program and dedicated health and safety advisers on site.

Turning to product, by immediately calibrating existing inventory and planned deliveries, after we close our stores, we successfully capitalized on the shift and demand, while minimizing our inventory exposure. We were strategically underbought going into the season. And while markdowns were higher than usual, given the promotional environment, the strength of our eCommerce business allowed us to sell through the majority of our inventory. Notwithstanding pressure on our gross margins, this [ph] lapped us (00:06:15) in a healthy inventory position with less than half of the seasonally inventory than we typically have at this time of the year.

We continue to be proud of our creative efforts throughout this uncertain period, quickly pivoting our models to shoot product from their own homes, immediately following the closure of our photography studio, meant our online product catalog did not miss a beat. This strategy also presented our product in an environment that resonated with our clients stay-at-home reality. In addition, our marketing team launched number of [indiscernible] (00:06:49) campaigns that resonated with our clients.

From our COVID-19 response, sale and product launches continue to influence our program, and sustainable packaging campaigns, our online engagement with our clients grew meaningfully. We also wanted to contribute to a healthcare community and show our heart and gratitude for those on the frontline. We launched our community care program, gifting 100,000 frontline healthcare workers with custom clothing packages in both Canada and United States.

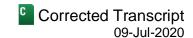
All these efforts have deepen our relationship with our clients. Further their loyalty and connection to our brand and growing our clientele base. Looking at Q2 to-date, we are viewing the quarter with cautious optimism as we prepare for a period of recovery. eCommerce although not at the same level as when our stores were closed, continues to show extraordinary growth.

Throughout this journey, we are encouraged that our customers have seamlessly migrated to our eCommerce channel, whilst our stores were closed and are now enthusiastically returning to our stores upon their reopening. This shows us that the loyal Aritzia clientele desires the omni experience and we are well-positioned as anyone in the market to deliver on our clients preference to shop seamlessly between the two channels.

I will share my excitement and how we'll capitalize in this opportunity in a few minutes. We are encouraged by the momentum behind our boutique reopenings which have exceeded our expectations to-date. With the exception of seven of our locations, including four in Manhattan, all our boutiques are reopened as of today, and we are receiving consistent feedback that our approach to health and safety is among the best in the industry.

In the first five weeks of the second quarter, our reopened boutiques are performing on average at approximately 55% to 65% of their revenue levels from last year, well above our initial expectations. However, we won't want what the new – we don't know what the new normal will hold until sometime next year assuming our healthcare community's progress with the virus.

As we prepare for our new Fall/Winter season product launch, we have taken a methodical and considerate approach to ensure we have the appropriate levels of inventory and a balanced product assortment. In the last several weeks, as customers are venturing out of their homes and socializing, there is excitement around all our products and a real sense of anticipation for our fall collections launching in mid-August.



As our model provides, depending on demand, we have the flexibility to either defer some of our product into future seasons or chase our strongest sellers within season orders. I'll now turn the call over to Jennifer to give you an update on some of the key areas of our operations.

## Jennifer Wong

President, Chief Operating Officer, Corporate Secretary & Director, Aritzia, Inc.

Thanks, Brian, and good afternoon, everyone. In my remarks today, I'll touch on highlights from our distribution center operations, update on our infrastructure investments, our continued investment in key talent, and lastly, the work we are undertaking to effect change through our diversity and inclusion effort.

As mentioned on our last call, we worked very hard to keep all three of our distribution centers open to support the eCommerce channel after we closed our boutiques. To ensure the health and safety of our people, while still maximizing productivity and efficiency, we reengineered the entire workflow of our Vancouver distribution center. Our team did an incredible job of fulfilling the threefold increase in eCommerce units, while maintaining delivery times to meet or exceed our clients' expectations.

And then in preparation for the boutique reopenings toward the end of the quarter, we hired and trained 250 new DC associates to transition from the people we had previously mobilized from retail and the support office when the boutiques closed.

During this time, we also quickly shifted our concierge platform online. This enabled our teams, who were experiencing a significant increase in client inquiries as a result of increased eCommerce, to work safely and remotely while continuing to support the needs of our clients. These are yet more examples of the indomitable spirit of our team and a testament to their agility during a very challenging period.

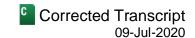
Upon closure of our boutiques, we briefly paused non-essential projects while we worked through the crises and mobilized for maximizing critical business priorities. We have now since resumed a number of strategic infrastructure projects and business initiatives. One of these projects is the Product Lifecycle Management system implementation. This team is now fully reengaged and we anticipate a revised launch date for the core functionality of the platform in late fall.

You may recall we launched the pilot of our Clientele App in May with encouraging results. The pilot was with an initial group of 25 of our top stylists to offer a highly personalized service to our clients and drive traffic and sales to aritzia.com, while boutiques were closed. And we're using the pilot to test all of the features and functionality of the app to create an exceptional omni-channel experience for our clients across both retail and eCommerce channel and ultimately maximizing our sale.

And while it is in the early stages, we are kicking off an omni capabilities project that will also include store inventory visibility, store inventory fulfillment and buy online, pickup in store.

Lastly, with the surge of eCommerce and plans to meaningfully expand our product assortment, we have kicked off an evaluation of our distribution network. We anticipate investing in the expansion of our warehousing and fulfillment capabilities to enable future growth of the business.

Turning now to people. With our boutiques largely reopened and our employees back to their usual work, we recently closed the Aritzia Community Relief Fund. Paying out a total of CAD 20 million, we are very proud that we were able to support all our people who were impacted by boutique closures. We are forever thankful to our



loyal clients, who continue to purchase with us during this time. And with this fund, in combination with government payroll subsidy support, we did not lay off or furlough any of our employees due to COVID-19.

The current environment offers an exceptional and possibly even unprecedented opportunity to add talent due to several unique circumstances. First, the retail industry is contracting. However, our international brand awareness is growing. We continue to offer exciting career growth as we expand our operation. We have recently and publicly committed to diversity and inclusion across all levels of our business, which I'll expand on in a moment.

We've also demonstrated a strong commitment to our people through continued employment during the COVID crises. And last, as far as acquiring talent for our support office, Vancouver offers a safe working environment as a result of strong local and provincial health leadership to-date. We are very excited to be moving forward and augmenting our high-performing team with additional world-class talent.

And finally, it has always been our vision to champion a workforce that reflects the diversity in our communities and we are an equal-opportunity employer. While we celebrate the fact that women make up 85% of our team today, we recognize that there is more we can do to help dismantle systemic racism and inequality. We have made a commitment to listen, learn and take action as real change starts from within. And as part of our commitment, we're investing CAD 1 million in ourselves to strengthen diversity and inclusion at Aritzia.

We recently launched a company-wide survey to collect confidential feedback, and we've mandated training on conscious and unconscious bias, micro-inequities, workplace harassment, and stereotypes. We're also establishing an advisory group of voices across all levels, workplaces and geographies to provide firsthand perspectives and advice. And with the help of [ph] D&I experts (00:16:32), we are conducting a thorough review of our entire business, with a critical eye on philosophies, practices, and policies. Going forward, we will continue to use our platform as a call to action and ensure we're part of the solution.

In summary, we continue to invest in the future of Aritzia. Despite the current environment, we're building on our world-class infrastructure and capitalizing on opportunities to invest in our people and refine our operations.

I'll now turn the call over to Todd, to discuss our financial results.

## **Todd Ingledew**

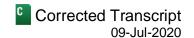
Chief Financial Officer, Aritzia, Inc.

Thank you, Jennifer, and good afternoon, everyone. We continue to be encouraged by the resilience of our business as we navigate through this uncertain environment. We remain focused in the short term on maintaining our strong liquidity position as we invest to capitalize on the opportunities ahead over the long term.

Turning to the first quarter, net revenue decreased 43.4% to CAD 111 million. This reflects two weeks of decelerating boutique revenue at the beginning of the quarter prior to our temporary boutique closures on March 16. We began a phased reopening on May 7, and by the end of the quarter had reopened 30 boutiques.

From the beginning of our boutique closures, our eCommerce performance was extraordinary, with eCom revenue up in excess of 150%. The strength in our eCommerce business partially offset the loss of revenue from our closed boutiques, which contributed 80% of total net revenue in the first quarter last year.

Gross profit margin in the first quarter was 11.7%, down from 43.5% last year. The decrease in gross margin was primarily due to occupancy, warehousing and distribution center costs deleverage from the significantly reduced retail revenue, along with higher markdowns from our successful sales events that drove eCommerce. While we



suspended rent payments for a vast majority of our boutiques starting in April, for accounting purposes, we accrued for all occupancy costs. We remain in active negotiations with our landlords regarding payments, and we will provide an update once these negotiations have been finalized.

SG&A expenses were CAD 44 million, a decrease of 20.1% or CAD 11 million compared to the first quarter last year. The decrease in SG&A expenses was driven by government subsidies and savings in operating expenses that were partially offset by our investment in talent year-over-year as well as continued investments in our customer program.

Adjusted EBITDA in the quarter was negative CAD 25 million compared to CAD 35 million last year, in line with our expectations provided on our last call. We ended the quarter in a solid liquidity position with a cash balance of CAD 224 million. Excluding the CAD 100 million draw on our revolver, cash increased CAD 88 million from the first quarter last year and was up CAD 6 million from the end of the fourth quarter. Despite the significant revenue decline associated with boutique closures, we were able to manage our liquidity through extraordinary eCommerce revenue, as well as prudent inventory and expense management.

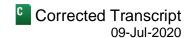
Inventory at the end of the first quarter was CAD 115 million, a 5.1% increase compared to the first quarter last year. Our current inventory is in a healthy position, as we have had substantial sell-through of our Spring/Summer seasonal products with CAD 11 million remaining this year compared to CAD 26 million remaining last year at this time. The balance of our inventory is comprised of proven sellers that will also be carried in future seasons. We, therefore, expect to be in a clean inventory position heading into the Fall season. For Fall, we have lowered our initial buys, and we'll reorder products in season to meet client demand.

Given the continued uncertainty related to the pandemic, we are not providing a detailed outlook for the second quarter or full year fiscal 2020 one at this time. However, I will provide some color on revenue trends in the second quarter to-date and some perspective on our financial outlook for the full year, assuming we do not experience further closures related to COVID-19.

Net revenue for the first five weeks of the second quarter was down approximately 25% to 30% compared to last year. As of today 89 of our 96 boutiques have reopened, and on average, are tracking at approximately 55% to 65% of last year's productivity levels. As our clients return to shop and our boutiques, we are pleased with the volume of traffic we are experiencing. However, ongoing store productivity is impacted by the social distancing measures we put in place, including limitations on boutiques and fitting room capacity. We expect the performance of our boutiques to improve sequentially, however, we continue to anticipate an extended ramp to a new normal.

Our second quarter eCommerce revenue to-date remains strong. Although growth has moderated with the reopening of the majority of our boutiques, it is currently trending 50% to 100% higher than last year varying by region based on boutique reopenings and the extent of the impact of COVID-19. We anticipate our gross profit margin will continue to be impacted by occupancy, warehousing, and distribution center costs deleverage as our boutique revenue continues on extended ramp.

Further, SG&A dollars will remain relatively consistent with last year, excluding government subsidies as we continue to make investments in our digital and customer programs and talent to support our growth. In addition, we've implemented stringent health and safety protocols for our boutiques and across all other workplaces. These protocols will add additional labor and operating expenses of approximately CAD 4 million per quarter. We will continue to monitor the need for these measures as the situation evolves.



Based on the criteria for government subsidies, we anticipate that we will continue to qualify in the month of June. However, the qualification criteria for July and August has not been released. We expect capital expenditures in the range of CAD 30 million to CAD 35 million including the new boutique opened at McArthurGlen in British Columbia in the first quarter, we plan to open an additional five to six new boutiques and reposition three existing locations, primarily in the second half of the fiscal year.

Depending on when we gain access to start construction at each of these locations some of the timing may shift into next year. Of the new leases we have signed, about half of them were negotiated post the arrival of the pandemic and reflect compelling post-COVID financial terms.

As we announced earlier today, we're opening two exclusive pop-up boutiques later this fall in New York and Los Angeles centered on one of Aritzia's most important and recognized franchises, the Super Puff. This marks the first time this franchise will be available in a standalone experience outside of Aritzia boutiques and online at Aritzia.com. Whilst we see this first foray as a test, we expect it will create brand excitement that will drive sales, not only at these two locations, but at our boutiques and online.

In conclusion, our financial performance and strong liquidity position is reflective of the resilience of our business and we remain confident in our ability to continue to successfully navigate the crisis. We are energized by the opportunities that lie ahead, as we continue to invest in our long-term growth.

With that, I'll now turn it back to Brian.

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

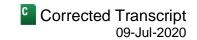
Thank you, Todd. In recent weeks, I've been asked on a number of occasions what my perspective on the future of fashion retail and specifically what Aritzia's opportunities are in the post pandemic environment?

With the closures of our boutiques, our eCommerce channel has surged. Our clients immediately and seamlessly shifted from retail to online. This was reassuring on several fronts as it became even clearer that Aritzia clients are truly omni-customers, our eCommerce experience is world-class, and our infrastructure is built to handle unlimited volumes.

Now that our boutiques have reopened, we've seen our clients enthusiastically return, while also continuing to shop online. This multichannel client relationship presents boundless opportunities. With our clients returning to shop and our boutiques, in addition to online, we are progressing with our pre-COVID boutique opening plan. Our boutiques continue to be highly profitable, as well as our most effective marketing tool to grow our brand awareness.

As we are currently understored and many in North America are shuttering boutiques, the real estate opportunity for us is unprecedented. More premiere locations are becoming available and under increasingly compelling financial terms, so much so it's hard to determine at this point if our stores were more profitable prior to COVID-19 or our new stores will be more profitable as a result of new economics post-COVID-19.

Prior to COVID-19, our stores made up approximately 77% of our sales, and our entire product strategy was based around the physical and merchandising limitations of our retail four walls. However, now our eCommerce channel has achieved a critical mass, such that our product strategies can be based on the unlimited opportunities that online provides.



Specifically, we are in an unprecedented position to expand our product lines' depth, which includes sizes, length, colors, breadth, new style developments, and of course new categories, such as swim, intimates, bags, shoes and beauty. We've started to build infrastructure of people, processes, and technology to capitalize on this incredibly exciting product expansion opportunity. It's hard to describe just how energized the team and I are working on this expansion of our beautiful product. By broadening our everyday luxury offering in new ways, we will be able to even further delight our loyal clients.

In closing, as I mentioned at the start, while this has certainly been a difficult period, it has also been a period of learning and in creating opportunities that weren't there for us previous to the pandemic. I remain grateful and humbled by the entire Aritzia team working diligently to serve our clients and drive our strategies forward. They are, without a doubt, some of the best in the business. Whether it'd be product expansion opportunities through a rapidly growing eCommerce channel, deepening our omni-channel capabilities or opening new boutiques in premiere locations with extremely compelling financial terms or building on a world-class team with top talent hiring there's much to look forward to.

Thank you very much.

# **QUESTION AND ANSWER SECTION**

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Mark Altschwager with Baird. Please go ahead.

## Mark R. Altschwager

Analyst, Robert W. Baird & Co., Inc.

Good afternoon, everybody. Congratulations on the progress of the reopening and success of the Aritzia community relief funds, and thanks for all the details on quarter-to-date trends, really helpful here.

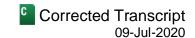
Brian, can you give us some perspective on how the business performed during the last economic downturn? I know the business was smaller then, but were revenues more resilient than the boarder industry as some consumers perhaps traded down from luxury brands?

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

We've always looked at — we've always said, it's difficult if you look back the past 35 years in our sales and if you had mapped on a graph our sales and revenues and same-store sales and you plotted that on top of the economic downturn. But I used to say that quite a bit. And then in 2007, when the economic downturn hit, it was an interesting period, because for the first six months, we weren't affected at all and I'm sort of thinking, hell, we were immune to this. We weren't really exposed in the US with stores at the time. And so, I thought maybe Canada is going to be okay. So for six months, seven months, eight months, we were going along and everything was fine and all of a sudden, bam, it hit us. I don't recall exactly what happened to our revenues other than the fact our same-store sales did decrease meaningfully.

And I would also add that our EBITDA decreased meaningfully. I think at that time we were around CAD 80 million EBITDA, we dropped down to CAD 50 million in the following year. So it had a meaningful effect to us. That said, we went on an incredible run shortly thereafter. And so like anything else, I think it comes down to – we're all going to see hiccups. The elevator doesn't always go up and it's how we're going to recover and we,



myself and the team are incredibly excited at the environment here. And I think realistically, the competitive environment that we're going to see after COVID is going to be a lot more appealing than the competitive environment we saw after the financial crisis. So maybe I'm a little optimistic here, but we're pretty excited about things right now.

## Mark R. Altschwager

Analyst, Robert W. Baird & Co., Inc.

Thank you. And the product expansion strategy sounds very exciting. You mentioned the unprecedented opportunity to add talent and presumably that can help accelerate those efforts, but could you just give us a sense of what the road map looks like here over the next couple of years?

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

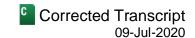
Yeah, that's a good question. So, I mean, there's sort of low-hanging fruit, medium-hanging fruit, high-hanging fruit here. The low-hanging fruit is – one of the things that's come out of this is that when we're online and we've been discontinuing colors and/or sitting in meetings and deciding whether we're going to have this blue or that blue or the other blue, we have to make those decisions because we couldn't in the past put those in the stores, because then we added twice as many colors, we'd have to have half as many styles.

And so, now we're in a position, well, do we like all three blues? Well, we like two of the three. Well, then let's run the two of the three. And we've found with the pant legs and the length of our pant legs, I mean we've been carrying one pant leg and that the issue was – and the idea was if we carry twice as many pant legs, we'd have half as many styles of pants in the stores, but now we have an ability to carry both pant legs and in some cases three lengths of pant legs.

So, we think our appeal will be even broader than it already is. We've always had a very broad appeal from an age category and a fashion category for sure. But we really think we'll be able to have a broad appeal, not just with the fashion category and age category, but also within body shape as well. So, that's sort of the low-hanging fruit. Sort of the more mid-level hanging fruit, we think we have opportunities around adding new styles and adding – whereas our stores have limitations on size and there was an idea that, okay, if I roll back the clock 10 years ago, all our products needed to be in the stores. We couldn't have any excess products.

So, the maximum amount of product we could carry in the store was X, we can only produce X. Over the last sort of 10 years, that X – the stores have gotten bigger, so the X has gone bigger. But at the same time, what's happened is we've been producing more. So, we've been 1.1X, 1.2X, 1.3X, but I still found ourselves in meetings, we love both of these, which one should we do. And now [indiscernible] (00:33:54) because eCommerce has hit this critical mass, now we can sell this product or a secondary style or a tertiary style, we've said to ourselves, hey, why not just carry – why not manufacture them both. We've already done the patterns, we already have the fabric, we've already done the styling, we've done all the heavy lifting, let's carry them both or let's carry all three of these styles. And our critical mass in our eCommerce can carry that now based on what we've seen. So, we're super-excited about that.

And then we're also looking at product expansion. As we open more stores in the Southern United States and we continue to look at opportunities in swim. We see Victoria's Secret, some other retailers are struggling when it comes to intimates. We have an opportunity in intimates. So, we're looking at other categories as well now, shoes and things as well. So, we've been super excited.



And this wasn't possible before. Our stores weren't set up for shoes. Our stores weren't set up to sell intimates. Our stores are not – still aren't set up to sell swim, we just can't do it. We don't have the mirrors and the fitting room configurations and things in order to execute that, but we can do that online. And now that our online business has become so robust, it's all of a sudden we can [ph] make minimums (00:35:09), we can rationalize the business. And now, we think we have a huge opportunity.

And if you actually look at our line and our collections compared to, say, NET-A-PORTER, we have — I don't know what we have, 2,000 or 3,000 styles in our store in any given year. NET-A-PORTER has like 1,000 brands on their website. So our website is actually quite small in the breadth and depth [ph] pairing (00:35:36), and our website is quite small in the scheme of things. And we just have a huge opportunity to exponentially build that and so we're super excited about that.

And then what that does to the stores is, it allows us to curate products for the different stores, because they're now basing their selection based on a far broader range to choose from. And if we see one store doing really well with blouses or a certain color or certain sizes, we can now explore and build on that for that particular store. So we think it's a win-win for our eCommerce and our stores and we're super excited about it.

## Mark R. Altschwager

Analyst, Robert W. Baird & Co., Inc.

That's very helpful. Thanks for all the detail. And maybe just one last quick one on margin for Todd. As we think about gross margin or maybe just specifically on merchandise margin, can you help us think through the puts and takes over the next few quarters? And is there a scenario where merchandise margin could be up year-over-year in the back half given your inventory plans and the plans to chase? Thanks.

**Todd Ingledew** 

Chief Financial Officer, Aritzia, Inc.

Yeah. Thanks, Mark. We've now returned to a more normalized promotional calendar. So we do not expect markdowns to pressure our gross profit in the back half of the year. There is potentially some pressure from the weakness in the Canadian dollar. However, we're feeling good about where our merchandise margins are going to be again from now through the rest of the year. It's really from a gross profit perspective, the impact from deleverage associated with occupancy and warehousing costs. That will be the largest impact on our gross profit and will continue to impact us as the stores ramp through the rest of the year.

[indiscernible] (00:37:30)

Brian Hill

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

...you want me to take the second half of that as far as inventory levels? I mean, we're certainly going to see inventory levels increase as we continue to expand our product lines, but in the scheme of things because our margins, because we're a vertical retailer and that coupled with our American dollar benefit that we have producing and operating in Canada, we don't see it being – an interest rates being so low. We're certainly going to be starting to carry more inventory, we're not going to see that for a while. But we don't think it will have any effect on – we were going to – our cash flow or anything else. It won't be that meaningful, so we think we're going to be in good shape there.

Mark R. Altschwager

Analyst, Robert W. Baird & Co., Inc.

C

Great. Thanks and best of luck.

**Operator**: Our next question comes from Patricia Baker with Scotiabank. Please go ahead.

#### Patricia A. Baker

Analyst, Scotiabank

Thank you, and good afternoon, everyone. And thank you for taking my questions. Brian, I was quite intrigued this morning with your press release that you are launching the pop-ups of the Super Puff, which I guess sounds interesting and makes sense given the success you have with the introduction of the men's Super Puff last year. But [indiscernible] (00:38:45) got three questions around this, now typically when retailers talk about pop-ups, they're usually short-term locations, but in your release you indicated you're taking a long-term lease in Manhattan location where it was formerly Dean & DeLuca, so I find that particularly interesting. Would love to hear your thoughts on the strategy there and what you think the longer term role of pop-ups are?

And then secondly, did the strategy to do this stand-alone Super Puff pop-up come from the success you had last year, or is it born out of some opportunity that's coming with COVID-19?

And then, thirdly, are – do you see other markets where we could see the Super Puff pop-ups go to other markets and you're looking at maybe other opportunities where it might be a viable concept?

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Yeah. Thank you and you may have to remind me on the questions, but why don't I start on the first one, which is the opportunity at the real estate in Manhattan? Is that where you'd like me to start?

#### Patricia A. Baker

Analyst, Scotiabank

Yes, please.

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Okay. So I've always said we have one of the best locations in all of Manhattan, our SoHo location. I always said it was one of the best because I always felt that the Dean & DeLuca space, the corner one block-up, was the best location in Manhattan. And I would argue that it still is. And that opportunity came to us. And when someone comes – I know COVID is uncertain what's going to happen and everything else, but when that opportunity comes to us at about CAD 0.25 or CAD 0.30 on the dollar compared to where it would have been two, three years ago when we went to lease it, that was an opportunity we couldn't pass up.

#### Patricia A. Baker

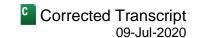
Analyst, Scotiabank

No kidding.

#### Brian Hill

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

We have one – yeah. So we have one store in SoHo, and we have four stores in Toronto Eaton Centre and three stores in Yorkdale and three stores in Pacific Centre. So it was a no-brainer for us that, okay, we can get this



thing at CAD 0.25, CAD 0.30 on the dollar. We need to take this down. And then once we took the real estate, it was, okay, what are we going to use it for? I mean, we're professionals. That's what we do. We're a retail, we're eCommerce, and this is an extremely high-profile location. I mean, I don't know most of you on the call probably know where this location is just by saying the Dean & DeLuca store on the corner of Broadway in SoHo. Everybody knows where that is.

So it then came, do we want to open a Wilfred store? Do we want to open a Babaton store, and everything else? And hopefully this will answer your second and third question which is, no, we have this franchise in Super Puff, that's doing extremely well. It's been growing exponentially year-after-year-after-year.

We have been able to keep up with the demand that we went in the men's last year with it. We sold out of our men's product. We went in with dogs, we sold out of our dog product, although I think we're discontinuing that this year. But we had this opportunity to open up and it wasn't a very long discussion, let's open a Super Puff location here.

So, we think we'll open that. We think we've secured one of the best pieces of real estate in North America period. If not the best piece of real estate in North America period, we've done it on CAD 0.25, CAD 0.30 on the dollar where it would have been two three years ago. And it gives us security in SoHo as well. You know having multiple locations always gives you security if you need to expand and move an existing location.

And so, we're pretty excited about that. And then be able to put our and give our flagship franchise right now, our Super Puff, a home and a presence in a market and in a location like that which is just such an opportunity. And so, we're really excited about it. And the only thing that's a little discouraging is I can't fly down and see it, touch it and feel it right now because of the restrictions.

But other than that, the team's excited. We've been having a lot of fun working on the design and everything else, it will be very unique. And we partnered with some friends in the United States that have done a lot of work for various shows like Drake, and Kanye, and different people like that. We've done a lot of [ph] sets, Beyoncé people (00:42:56), so they're helping us with it. And so, it's been a really, really exciting project for us.

#### Patricia A. Baker

Analyst, Scotiabank

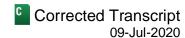
Okay. And I have a last question, I think I know the answer from the enthusiasm that you're giving in the answer to the first part, which I just asked whether you think that there's opportunity for that kind of concept to be rolled out elsewhere?

#### **Brian Hill**

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Yes, we do, and we'll see what tomorrow brings. I mean we're going to see what this happens with a store and like any of our concepts we rule them out. Our flagship brands are Aritzia, we sell the Super Puff, and Wilfred, and Babaton, and Tna, all are different concepts in under that house and under that flagship. And so, we want to continue – that's going to be our flagship. We're going to continue to roll out. But you never know what happens.

And so, certainly getting exposure to this, we'll see what happens and how it's received this year and we'll go from there.



•	
Patricia A. Baker  Analyst, Scotiabank	C
Thank you, and good luck with that.	
Brian Hill Founder, Chief Executive Officer & Chairman, Aritzia, Inc.	Δ
Thank you very much.	
Operator: Our next question comes from Irene Nattel with RBC Capital Markets. Please go ahead.	
Irene Nattel Analyst, RBC Capital Markets	C

**Brian Hill** 

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Yeah, I mean we have the vision – thanks, Irene, and thank you for joining us today. We have the vision of what we want to do here. We actually have – there's actually 18 product initiatives we have identified at this point in time. We're going to seize them as soon as this fall. We had inclusive sizing this spring, as you know, and it actually performed better than we initially thought it would perform.

Thanks, and good afternoon, everyone. Brian, I think it's pretty clear that we're all quite intrigued by this idea of extending the offering, really appreciate the color. Can you walk us through sort of a timeline maybe and how we

might be – how we should be thinking about how all of this unrolls over time?

We're going to see some of these colors and leg length options, things like that. So, the low-hanging fruit, we're going to see as soon as this fall, it might not be as rigorous as it will become next spring and summer and the following fall, but we're going to see quite a bit of it this fall.

As far as new styling and things go, we've secured a new design – a new senior designer to create yet another line for us. So, we're going to continue to be doing that, new styles, and continue to look for even more designers. And then on top of that, we're trying to get in these categories. I suspect we're not going to see these categories. I'm guessing the soonest we're going to see them if we have an offer out to an employee as soon as and team probably fall 2021.

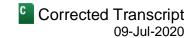
But – and maybe if we can't do that, it would probably be spring 2022. So we're probably 18 months away, 12 to 18 months away before we see this, and probably 18 months away, because initially when we start the process we're not going to get too pregnant with the product and inventory until we actually have proof of concept.

So we'll probably see it within next year or two. But I'd like to think, we've set a five-year target as far as styling goes and how many different styles we're going to have. And [indiscernible] (00:46:09) a pretty natural progression over the next five years, so sort of we're at X, we want to get to 2X, we're going to go 20% year one and 20% year two, 20% year three, etcetera, to get up to that. And so we're hoping five years from now our product selection is at least doubled from where it is today.

Irene Nattel

Analyst, RBC Capital Markets





That's really interesting. So if we're thinking of the evolution over the next three to five years, and as you're talking [indiscernible] (00:46:37) you're talking about surge in eCommerce and the offering. I can't help, but think about certain key international markets. And as you're thinking about the flagships and locations and what you're offering, what are you getting from other markets and regions? [indiscernible] (00:46:58)

**Brian Hill** 

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

A

That's a good question, and I probably wouldn't be straight with you, if I told you I've been spending a lot of time looking at our international business in the last three, four, five, six months. I mean we've been focused on COVID and our existing stores and our eCommerce channel, and that's where we've been focusing on.

So we have such a big opportunity here in North America and we're not actually been heavily pursuing our international business. Sure, we have international business and we appreciate it, and we think it's meaningful. But at the same time, our big opportunity has been here in North America. But we're going to start looking a little harder at that.

And is it something we want to push at this point in time or is it build and they will come? We're not sure right now. We kind of got our hands full as most retailers and eCommerce people with this crisis. So we're kind of focusing on our existing business and figuring out how we're going to look at – take the opportunities from eCommerce perspective. So we really have been doubling down and looking too hard at international, but I'm sure after everything, we look at the new normal and see what's happening in the world 6 to 12 months from now, we'll certainly be looking a little harder at that.

Irene Nattel

Analyst, RBC Capital Markets

Q

Okay. So that's very helpful, and certainly very – it makes a lot of sense. Now that we've been talking about the future, I hate to do this, but if we go back to the last five to six weeks, as the boutiques have started opening up. Can you talk through just a little bit of the cadence and what you're seeing and how the business kind of is ramping and what you're seeing as different markets open up? And also what – I mean, you and I talked about this, what kind of things are people buying now that they're getting out and about a little more and how, if anything, does it make you think about the mix as we head into fall and winter?

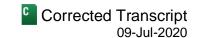
**Brian Hill** 

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.



That's a good question. I mean, in the last five or six weeks, although from a health perspective, there has been certainly social challenges in the world to come to light and that's been difficult. It's actually been reassuring seeing our stores open. I mean, it was difficult closing the malls, we started off as a retailer and so [indiscernible] (00:49:13); however, our stores have been opened. What's been shocking to us and very encouraging is the response we are seeing from our customers and we've had lineups at some stores, every day we get line ups. We never used to have line ups in our stores now. The line ups are self-imposed because we have capacities on our overall store count or people count within the stores and we have every second the changing room and fitting room open.

But I was in Toronto about a week ago, 10 days ago and I saw, I'd just say it briefly, but I saw the – we had [indiscernible] (00:49:50) and that was some of our team and we had a line up outside the store, we had a line up at the fitting rooms and we had line up at the cash counter. And if you'd asked me two months ago where we have



lineups in our stores and other stores, I would have thought no way, not a hope, but we did. And we at this point in time had almost every store in Toronto open, so it wasn't like we just had one store.

So the response from our customers in our stores has been a little shocking to us, because as we mentioned in the call earlier, our customers moved to eCommerce almost seamlessly and our teams pivoted to meet that demand. And then when the stores are opened we're a little bit shocked at how busy and what the response was. I mean, the good news was and Jennifer touched on it, we didn't furlough or lay off anybody.

So when we did open up our stores, one of the benefits of that was we were up and running with the same teams immediately overnight. And in different jurisdictions where we have very stringent health and safety precautions and so enabling – enacting those between physical things procedural, processes and sort of regulations, things like in Toronto, we are not allowed to have our cloth fitting room doors, we needed to install hard doors, so we needed to do that. So, there are some hoops we had to jump through, but the good news was our people were there and even our customers were there. So, we are super excited about that and extremely encouraged, all things considered.

Irene Nattel

Analyst, RBC Capital Markets

That's great. And in terms of what types of products and the mix of what people are then buying?

**Brian Hill** 

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

Yeah, we haven't seen a lot of office wear, so to speak, because a lot of offices are not open, as you can imagine. That said, we don't sell a lot of office wear in the spring and summer anyway. It's probably the season we saw the leased up, people buying things to go away to the cottage or just deal with the heat with some cities. So, we don't see a lot.

But we've seen a lot of dresses and we've seen are going-out wear has bounced back considerably, so it's not just all sweats and athletic wear and comfort, but we've seen a lot of people buying exciting dresses and prints, and bright colors and things like that.

So I think people are out there, and our customers, certainly the Aritzia customer is very cautious of the health concerns out there. But at the same time, I think they're pretty enthusiastic at connecting both with our people and their friends getting out there a little bit more than they were, obviously in a safe manner. So, we've seen that – seen them, that's come across and the product has been sold in our stores.

Irene Nattel

Analyst, RBC Capital Markets

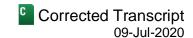
That's great. Thank you.

Operator: Our next question comes from Mark Petrie with CIBC. Please go ahead.

Mark Petrie

Analyst, CIBC World Markets, Inc.

Yeah. Thanks. Good afternoon. Brian, I'm wondering if you could just sort of elaborate a little bit more in terms of what you're seeing in the real estate market? I know you talked about it in your prepared remarks and in the Q&A



so far, but what are you sort of seeing specifically? And how does that affect your thinking in terms of the pace of store openings over the next couple of years?

#### Brian Hill

Founder, Chief Executive Officer & Chairman, Aritzia, Inc.

It's interesting. Everybody on this call and everybody out there has seen every single day it seems there's a new retail company that's in trouble or going into Chapter 11, and if they're not, they're probably going to be playing hurt for quite some time. So we consider ourselves quite fortunate.

I think as a landlord, I feel for the landlords, because it's not like retailers are choosing to not pay their rent, in some cases asking for rent abatement or rent deferrals. They just can't pay it. They just don't have the means to pay it. So it's not easy being a retailer, but it's not easy being a landlord either right now and we feel for them, and we've had a lot of great partnerships over the years with the landlords.

That said, we're the one of most desired retailers out there, certainly from a customer perspective and then, in turn, from a landlord perspective, and we don't need to open a ton of stores. We never have opened a ton of stores in any given period, and we don't need to with our eCommerce channel being so successful.

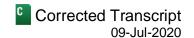
The numbers have to be compelling for us, and we touched earlier in the questions on why we did the deal in SoHo, because the numbers were just so compelling. I mean, we took AAA real estate, arguably one of the best locations in North America and got it CAD 0.25, CAD 0.30 on the dollar. And what we're seeing deals come up, and as I think Todd mentioned in his - earlier that of the deals we've done this year, half of them have been negotiated in pre-COVID terms.

Now these weren't deals that we started right now with pre-COVID terms, these were deals that we were already in amongst negotiating, and COVID hit. And so we've since renegotiated these deals, and the landlords recognized that this is something normal and the landlords are recognizing that, hey, we don't know what it's going to [indiscernible] (00:55:10) is going to hold to, so there's different things, there's some landlords or some retailers around percentage rent deals. Some retailers are getting less having to pay meaningfully less money and there are some retailers who are getting rebates and abatement until certain periods.

So there's all sort of creative ways to approach the situation. I mean, we've always, in good times and bad, continued to stay steady and open stores as they made sense to us that we got the appropriate real estate, financially it made sense and we're going to continue to do so. We've had a massive shift to eCommerce, and we're not going to put the pedal down on the stores. That said, some of these deals are extremely compelling for us and as I mentioned, car stores since they've reopened have been extremely successful compared to what we had predicted.

So, we're pretty bullish that we're going to continue to have the – an omni-channel retailer, our customers wants us to be in, it'll be successful and retail will be part of that, and bricks-and-mortar pieces will be part of that. So we're going to continue on doing that, but I don't think we're going to change our pace. We're not going to slow it down, because the deals are just too compelling. But at the same time, I don't think it makes a lot of sense to speed it up. So we're just kind of do it same thing we always did; when the right real estate deals come up, we're going to hit them and hopefully be extremely successful.

Operator: Our next question comes from Stephen MacLeod with BMO Capital Markets. Please go ahead.



## Stephen MacLeod

Jennifer Wong

Chief Financial Officer, Aritzia, Inc.

1-877-FACTSET www.callstreet.com

Analyst, BMO Capital Markets Corp. (Canada)

Thank you. Good afternoon. I just wanted to follow up on a couple of comments, Brian and Jennifer, you guys have with respect to current distribution network. And, Brian, you mentioned eCommerce as sort of hit critical mass. Can you just talk a little bit about what kind of volumes your business – what kind of volumes your infrastructure could support without the necessity for increased investment in [indiscernible] (00:57:19) eCommerce platform or the distribution network sort of more broadly?

President, Chief Operating Officer, Corporate Secretary & Director, Aritzia, Inc.

As far as the eCommerce – hi, Stephen, it's Jen. As far as the eCommerce platform, I think we've mentioned in prior years that we have chosen Demandware, which got acquired by salesforce.com and it is now called Commerce Cloud. We feel very comfortable with the eCommerce platform itself. That is integrated with SAP, which as you know is a top tier ERP. That said, for eCommerce, it's an ecosystem of technologies. And so we're continually enhancing investment in our e-commerce ecosystem, if you will, as it relates to technology.

As it pertains to the distribution center, what I would say is when we first put in the DC in Vancouver with – that went in maybe two, three years ago. We had a seven-year horizon. I will say we – every time we have put in a DC or kitted out 3PL, we go with the best information and best projections we have at that time. And fortunately for us, Aritzia has performed so well over the years that we generally have performed better and exceeded our best laid plans.

And so the kind of a high-class problem we're in right now is that we're relooking at our distribution network overall. But specifically what I was speaking about in my prepared remarks was our Ontario base DC. Right now, we are with a 3PL, we have expanded within that 3PL, which I've announced some previous calls. And they are a fantastic partner of ours. We've been with them now for 13 or 14 years, and they are a full service 3PL. That said, with the surge in eCommerce and with some of these exciting plans Brian has for product, we are anticipating how we can best enable and support the growth that he has in his vision.

And so, what we're doing right now is we're just exploring what we may have to do because one of our big tenants at Aritzia in building infrastructure is strategic agility, and so we want to put in infrastructure that is rightsize for today, but has the ability to flex with whatever it is that might come down the pike or come in the future years. And so, while we are in a very good place with our existing network as it is for the next, I'm going to say two years, we are planning with the – we are planning, so we put in the new distribution center in Ontario or elsewhere. It is probably – it's 18 to 24 months outlook. So, we're starting early. We're gathering our facts. We're doing our research. We're putting together a strategy. And I'll keep you updated as we go and as we know more.

Stephen MacLeod

Analyst, BMO Capital Markets Corp. (Canada)

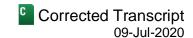
Okay. That's very helpful. Thank you, Jennifer. Just wanted to follow up, can you just talk a little bit about sort of what you've seen in terms of your trends with stores being reopened? Like have you just seen sort of accelerating growth from the early days of reopening through till now, or if things begin to plateau a little bit? I'm just curious

kind of what you're seeing on the cadence of that?

Todd Ingledew

FACTSET: callstreet

18



Yeah. Thank you. You know it's interesting – we've actually seen the stores open, and you've read earlier on in China, in places there was a big surge, and then things leveled out a little bit. We haven't seen that. We've actually seen our stores open and stay consistent.

Where we have seen differentiation is depending on how hard hit from COVID these regions are. So BC has bounced back extremely well. And so, we've been running I wouldn't say at levels pre-COVID. But we've certainly be running a lot closer levels of pre-COVID than we have for instance in some places in the United States that have been harder hit.

Ontario's been harder hit than Vancouver. And so, we've seen – we haven't seen the same uptick in Toronto and pickup in Toronto in the stores as we have in [indiscernible] (01:01:40). So, we've been seeing it's mixed across and it's really – you really could mirror it on top of how bad these areas have been hit by COVID and how much they have opened up and – or how little they've opened up.

And then as well, I think there's a bit of a psyche on the consumer out there in some of these places and a cautionary approach to getting out and participating. And so, it really is depended where we've seen. We haven't seen a sort of surge and then a leveling out. We've seen the stores opened, and we've seen them opened fairly successfully. As I mentioned, we would be doing higher volume if we weren't working through pretty stringent and industry-leading health and safety precautions that we have in place.

But you know, as I mentioned, it's been really encouraging and – but, unfortunately, there's a lots of parts in North America where we have stores that are still very challenging – challenged from a COVID perspective. And by the looks of things, that isn't going to end any time soon, unfortunately.

So we're feeling for those people in these areas and these communities, and we've seen it in our stores as well, whereas other places like British Columbia and, to some degree, Toronto and Canada generally have been back a little bit better. So it's really been really pockets and depends where and when those stores have opened.

## Stephen MacLeod

Analyst, BMO Capital Markets Corp. (Canada)

Right. Okay. That's helpful, Brian, and thank you for the color you gave earlier as well. And then I just have one final question maybe for Todd here. You talked about SG&A being flat year-over-year. Does that include the CAD 4 million per quarter that you expect to incur from COVID-19-related health care costs?

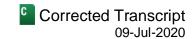
## Todd Ingledew

Chief Financial Officer, Aritzia, Inc.

No. We expect the CAD 4 million to be on top of that. We will get, as we mentioned, the government subsidy in June. So that would be a deduct from flat to last year. However, the incremental costs from the CAD 4 million are on top of last year.

I think it's important to note that we're always investing in our future growth, as you know, and you can hear that, and we're — we have significant opportunities ahead for us right now, and the talent acquisition opportunities that are available. And so we are on the offense, and that obviously requires investing dollars. So whether that's, again, in talent or in infrastructure or in technology, we are putting the pedal down and investing, and that's why the costs are where they are.





Stephen MacLeod Analyst, BMO Capital Markets Corp. (Canada)	C
Right. Okay. That's great. Thank you very much.	
Jennifer Wong President, Chief Operating Officer, Corporate Secretary & Director, Aritzia, Inc.	Д
Thank you.	
Todd Ingledew Chief Financial Officer, Aritzia, Inc.	Д
Thanks, Steve.	

**Operator:** This concludes the question-and-answer session. I would like to turn the conference back over to Helen Kelly for any closing remarks.

## **Helen Kelly**

Vice President of Investor Relations, Aritzia, Inc.

Thank you, Anastasia, and thanks again to everyone for joining us this afternoon. The team and I will be available after the call to answer any questions that you may have. Have a great summer and we look forward to speaking with you again very soon. Thank you.

**Operator**: This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

#### Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet Calistreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.