ARITZIA

Aritzia Inc.

Condensed Interim Consolidated
Financial Statements
First Quarter of Fiscal 2022

For the 13-week periods ended
May 30, 2021 and May 31, 2020

Aritzia Inc.

Condensed Interim Consolidated Statements of Financial Position

As at May 30, 2021 and February 28, 2021

(Unaudited, in thousands of Canadian dollars)

	Note	May 30, 2021	February 28, 2021
Assets			
Cash and cash equivalents		**$ 157,878**	$ 149,147
Accounts receivable		**5,454**	6,202
Income taxes recoverable		**2,899**	4,719
Inventory	5	**165,030**	171,821
Prepaid expenses and other current assets	1,12	**25,239**	23,452
Total current assets		**356,500**	355,341
Property and equipment	6	**187,790**	189,568
Intangible assets	7	**61,159**	62,049
Goodwill	7	**151,682**	151,682
Right-of-use assets	8	**359,140**	363,417
Other assets		**2,648**	2,886
Deferred tax assets		**15,887**	15,794
Total assets		**$ 1,134,806**	$ 1,140,737
Liabilities			
Accounts payable and accrued liabilities	9	**$ 109,539**	$ 131,893
Income taxes payable		**2,651**	8,287
Current portion of lease liabilities	8	**80,456**	71,452
Current portion of long-term debt	11	**74,884**	-
Deferred revenue		**35,468**	37,563
Total current liabilities		**302,998**	249,195
Lease liabilities	8	**417,664**	423,380
Other non-current liabilities	10	**14,455**	15,059
Deferred tax liabilities		**19,193**	17,985
Long-term debt	11	**-**	74,855
Total liabilities		**$ 754,310**	$ 780,474
Shareholders' equity			
Share capital	13	**$ 230,691**	$ 228,665
Contributed surplus		**57,006**	56,606
Retained earnings		**93,119**	75,216
Accumulated other comprehensive loss		**(320)**	(224)
Total shareholders' equity		**380,496**	360,263
Total liabilities and shareholders' equity		**$ 1,134,806**	$ 1,140,737

Commitments and contingencies (note 20)

Subsequent events (notes 1 and 11)

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Operations

For the 13-week periods ended May 30, 2021 and May 31, 2020

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

	Note		May 30, 2021		May 31, 2020
Net revenue	16, 19	**$**	**246,916**	$	111,389
Cost of goods sold	1, 17		**137,808**		98,328
Gross profit			**109,108**		13,061
Operating expenses					
Selling, general and administrative	1		**70,382**		43,511
Stock-based compensation expense	14, 17		**3,035**		979
Income (loss) from operations			**35,691**		(31,429)
Finance expense	8, 17		**6,434**		7,390
Other expense (income)	12, 17		**3,856**		(1,218)
Income (loss) before income taxes			**25,401**		(37,601)
Income tax expense (recovery)	18		**7,498**		(11,130)
Net income (loss)		**$**	**17,903**	$	(26,471)
Net income (loss) per share					
Basic	15	**$**	**0.16**	$	(0.24)
Diluted	15	**$**	**0.16**	$	(0.24)
Weighted average number of shares outstanding (thousands)					
Basic	15		**110,052**		109,353
Diluted	15		**114,711**		109,353

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the 13-week periods ended May 30, 2021 and May 31, 2020

(Unaudited, in thousands of Canadian dollars)

		May 30, 2021		May 31, 2020
Net income (loss)	**$**	**17,903**	$	(26,471)
Other comprehensive (loss)				
Items that are or may be reclassified subsequently to net income:				
Foreign currency translation adjustment		**(96)**		(543)
Comprehensive income (loss)	**$**	**17,807**	$	(27,014)

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the 13-week periods ended May 30, 2021 and May 31, 2020

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

	Multiple voting shares		Subordinate voting shares					
	Shares	**Amounts**	**Shares**	**Amounts**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance, March 1, 2020	24,537,349	$ 17,737	84,811,212	$ 201,313	$ 57,221	$ 56,476	$ (682)	$ 332,065
Net Loss	-	-	-	-	-	(26,471)	-	(26,471)
Options exercised (note 14)	-	-	38,014	483	(312)	-	-	171
Stock-based compensation expense on option plans (note 14)	-	-	-	-	1,113	-	-	1,113
Shares repurchased for cancellation (note 13)	-	-	(38,664)	(92)	-	(486)	-	(578)
Foreign currency translation adjustment	-	-	-	-	-	-	(543)	(543)
Balance, May 31, 2020	24,537,349	$ 17,737	84,810,562	$ 201,704	$ 58,022	$ 29,519	$ (1,225)	$ 305,757
Balance, February 28, 2021	**24,537,349**	**$ 17,737**	**85,416,470**	**$ 210,928**	**$ 56,606**	**$ 75,216**	**$ (224)**	**$ 360,263**
Net Income	**-**	**-**	**-**	**-**	**-**	**17,903**	**-**	**17,903**
Options exercised (note 14)	**-**	**-**	**126,253**	**2,026**	**(1,503)**	**-**	**-**	**523**
Stock-based compensation expense on option plans (note 14)	**-**	**-**	**-**	**-**	**1,903**	**-**	**-**	**1,903**
Shares exchange at secondary offering (note 1)	**(2,600,000)**	**(1,879)**	**2,600,000**	**1,879**	**-**	**-**	**-**	**-**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(96)**	**(96)**
Balance, May 30, 2021	**21,937,349**	**$ 15,858**	**88,142,723**	**$ 214,833**	**$ 57,006**	**$ 93,119**	**$ (320)**	**$ 380,496**

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the 13-week periods ended May 30, 2021 and May 31, 2020

(Unaudited, in thousands of Canadian dollars)

	Note	May 30, 2021	May 31, 2020
Operating activities			
Net income (loss) for the period		**$ 17,903**	$ (26,471)
Adjustments for:			
Depreciation and amortization	6, 7, 17	**10,441**	9,365
Depreciation on right-of-use-assets	8, 17	**16,318**	16,448
Finance expense	17	**6,434**	7,390
Stock-based compensation expense	14, 17	**3,035**	979
Amortization of deferred lease inducements		**(273)**	(264)
Unrealized loss on equity derivative contracts	12	**106**	796
Income tax expense (recovery)	18	**7,498**	(11,130)
Rent concessions relating to lease liabilities	1, 8	**(233)**	-
Proceeds from lease incentives		**3,883**	1,735
Cash generated before non-cash working capital balances and interest and income taxes		**65,112**	(1,152)
Net change in non-cash working capital balances	22	**(18,667)**	28,177
Cash generated before interest and income taxes		**46,445**	27,025
Interest paid		**(775)**	(1,295)
Interest paid on lease liabilities	8	**(4,847)**	(1,751)
Income taxes paid		**(11,168)**	-
Net cash generated from operating activities		**29,655**	23,979
Financing activities			
Proceeds from revolving credit facility	11	**-**	100,000
Repayment of principal on lease liabilities	8	**(8,092)**	(3,339)
Proceeds from options exercised	14	**523**	171
Shares repurchased for cancellation	13	**-**	(523)
Net cash (used in) generated from financing activities		**(7,569)**	96,309
Investing activities			
Purchase of property and equipment	6	**(10,383)**	(13,338)
Purchase of intangible assets	7	**(22)**	(542)
Net cash used in investing activities		**(10,405)**	(13,880)
Effect of exchange rate changes on cash and cash equivalents		**(2,950)**	155
Increase in cash and cash equivalents		**8,731**	106,563
Cash and cash equivalents - Beginning of period		**149,147**	117,750
Cash and cash equivalents - End of period		**$ 157,878**	$ 224,313

Supplemental cash flow information (note 22)

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

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

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the "Company") are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. As at May 30, 2021, the Company had 102 retail boutiques (May 31, 2020 – 97 retail boutiques) and an eCommerce website, aritzia.com.

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada, V6C 2X8.

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

On May 13 2021, the Company announced a secondary offering ("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, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate voting share and was completed on June 1, 2021, subsequent to the 13-week period ended May 30, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the 13-week period ended May 30, 2021, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the Secondary Offering of approximately $0.5 million are being paid by the Company.

On June 25, 2021, subsequent to the 13-week period ended May 30, 2021, the Company completed its acquisition of CYC Design Corporation ("CYC Design"), a leading designer and manufacturer of premium athletic wear, Reigning Champ. The Company acquired 75% of CYC Design based on a total enterprise value of approximately $63 million, with the remaining 25% equity interest held by CYC Design's management shareholders to be converted into the Company's subordinate voting shares in up to three instalments from 2024 to 2026. The Company funded the $32.7 million initial payment of the purchase price with cash on hand.

Basis of presentation

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

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

February 28, 2021 ("Fiscal 2021"). These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

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 interim consolidated financial statements were authorized for issue on July 13, 2021 by the Company's Board of Directors ("Board").

COVID-19 Pandemic

The COVID-19 pandemic continues to have an impact on the global economy and changes in consumer demand and behaviour. On March 16, 2020, in line with recommendations by public health officials and guidance from local government authorities, the Company temporarily closed all of its retail boutiques in Canada and the United States. On May 7, 2020, the Company began a phased reopening of its retail boutiques. As part of the reopening plan, the Company implemented extensive health and safety measures designed to protect its people and clients and communities. As of September 9, 2020, all of the Company's boutiques had reopened. Beginning November 23, 2020 and through the fourth quarter of Fiscal 2021, as a result of the resurgence of COVID-19 and in in line with government regulations, the Company temporarily reclosed 39 of its boutiques primarily located in Ontario and Quebec. As at February 28, 2021, 18 of these boutiques remained temporarily closed. Through the first quarter of Fiscal 2022, all of the Company's boutiques were reopened but certain boutiques were temporarily re-closed based on government and health authority guidance in Ontario, Quebec and Nova Scotia. As at May 30, 2021, 33 of the Company's boutiques remained temporarily closed.

In accordance with the relevant government and health authority guidance, the Company continues to operate its distribution centers and open boutiques under stringent health and safety protocols that include occupancy restrictions, reduced operating hours, physical distancing and enhanced cleaning programs.

During the 13-week period ended May 30, 2021, the Company recognized payroll subsidies of $1.8 million and $0.3 million of rent subsidies (May 31, 2020 – $16.4 million of payroll subsidies and $nil of rent subsidies). The payroll subsidies were recorded as a reduction in the associated eligible salaries and wage costs, recognized in cost of goods sold and selling, general and administrative expenses in the consolidated statements of operations. The rent subsidies were recorded as a reduction in store occupancy costs in cost of goods sold in the consolidated statements of operations. As at May 30, 2021, the Company had $4.6 million of payroll subsidies and $1.3 million of rent subsidies receivable recorded in prepaid expenses and other current assets.

The CARES Act in the United States further allows the immediate expensing of qualified leasehold improvement property purchased after December 31, 2017 and the carry back of net operating losses to prior years. These two measures resulted in the Company recognizing an income taxes receivable of $4.3 million, to be applied to income taxes payable in prior periods.

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

The Company's operations continue to be impacted by the COVID-19 pandemic. The extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted. Further or prolonged closures of the Company's boutiques could result in the reassessment of impairment of property and equipment, definite and indefinite life intangible assets, right-of-use assets and goodwill, and a provision to the net realizable value of the Company's inventories.

2 Summary of significant accounting policies

These interim financial statements have been prepared using the accounting policies as outlined in note 2 of the Fiscal 2021 audited consolidated financial statements, with the exception of the accounting standards adopted in the year ending February 27, 2022 ("Fiscal 2022").

3 Significant new accounting standards

Standards issued but not yet adopted

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

In January 2020, IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not plan to early adopt the amendments to IAS 1. The implementation of this amendment is not expected to have a significant impact on the Company.

4 Critical accounting estimates and judgments

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

In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied in note 4 of the Fiscal 2021 audited consolidated financial statements.

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

5 Inventory

		May 30, 2021		February 28, 2021
Finished goods	**$**	**146,632**	$	122,933
Finished goods in transit		**18,398**		48,888
Total inventory	**$**	**165,030**	$	171,821

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 $1.4 million for the 13-week period ended May 30, 2021 (May 31, 2020 - $0.7 million). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the Credit Facilities (note 11).

6 Property and equipment

During the 13-week period ended May 30, 2021, the Company had property and equipment additions of $11.8 million (May 31, 2020 - $9.0 million), the majority of which were related to leasehold improvements made to its retail boutiques, the purchase of furniture and equipment for such boutiques and leasehold improvements made to its support office.

7 Goodwill and intangible assets

During the 13-week period ended May 30, 2021, the Company had intangible asset additions of $nil (May 31, 2020 - $0.3 million), the majority of which were related to internally developed computer software.

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

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 13-week period ended May 30, 2021:

		Right-of-use assets
Cost		
Balance, February 28, 2021	**$**	**484,012**
Additions, net of lease incentives received		**25,889**
Modifications		**(3,690)**
Foreign exchange		**(13,672)**
Balance, May 30, 2021	**$**	**492,539**
Accumulated depreciation		
Balance, February 28, 2021	**$**	**120,595**
Depreciation		**16,323**
Modifications		**-**
Foreign exchange		**(3,519)**
Balance, May 30, 2021	**$**	**133,399**
Net carrying value		
Balance, February 28, 2021	**$**	**363,417**
Balance, May 30, 2021	**$**	**359,140**

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

The following table reconciles the change in lease liabilities for the 13-week period ended May 30, 2021:

		Lease liabilities
Balance, February 28, 2021	**$**	**494,832**
Additions		**28,894**
Interest expense on lease liabilities (note 17)		**5,627**
Repayment of interest and principal on lease liabilities		**(12,939)**
Rent concessions applicable to lease liabilities		**(233)**
Modifications		**(3,715)**
Foreign exchange		**(14,346)**
Balance, May 30, 2021	**$**	**498,120**
Current portion of lease liabilities		**80,456**
Long-term portion of lease liabilities		**417,664**
Lease liabilities	**$**	**498,120**

9 Accounts payable and accrued liabilities

		May 30, 2021		February 28, 2021
Trade accounts payable	**$**	**55,434**	$	96,540
Other non-trade payables		**21,696**		11,521
Employee benefits payable		**30,163**		23,040
Current portion of Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 14)		**2,246**		792
Total	**$**	**109,539**	$	131,893

10 Other non-current liabilities

		May 30, 2021		February 28, 2021
Deferred lease inducements	**$**	**6,690**	$	6,920
Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 14)		**6,607**		6,930
Deferred payroll taxes		**812**		852
Asset retirement obligations		**346**		357
Total	**$**	**14,455**	$	15,059

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

11 Bank indebtedness and long-term debt

The Company has a term loan and revolving credit facility (collectively the "Credit Facilities") with its syndicate of lenders.

a) Long-term debt

		May 30, 2021		February 28, 2021
Term loan	**$**	**75,000**	$	75,000
Less: Deferred financing fees		**(116)**		(145)
Term loan, net of deferred financing fees	**$**	**74,884**	$	74,855
Less: Current portion		**74,884**		-
Long-term debt	**$**	**-**	$	74,855

The term loan matures on May 22, 2022 and has no scheduled principal payments prior to maturity. Interest is paid on a monthly basis. Under the Credit Facilities, the Company has the option to borrow using Banker's Acceptance borrowings ("BA"), LIBO rate borrowings ("LIBO"), or Canadian prime rate borrowings ("Prime") plus a marginal interest rate between 0.50% and 2.50% (February 28, 2021 – 0.50% and 2.50%).

The term loan requires mandatory loan prepayments by the Company of principal and interest if certain events occur. As at May 30, 2021 and February 28, 2021, the Company was not required to make a mandatory loan prepayment.

On July 13, 2021, subsequent to the period ended May 30, 2021, the Company refinanced its Credit Facilities, extending the term to July 13, 2025. As part of the refinancing, the Company repaid its term loan of $75.0 million and increased its existing revolving credit facility from $100.0 million to $175.0 million, with no amounts drawn at July 13, 2021.

b) Bank indebtedness

The Company has a revolving credit facility of $100.0 million (February 28, 2021 - $100.0 million). The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.50% and 2.50% (February 28, 2021 – 0.50% and 2.50%). Up to $10.0 million of the facility can be drawn upon by way of a swingline loan. As of May 30, 2021 and February 28 2021, no advances were made under this revolving credit facility.

The Company also has letters of credit facilities of $75.0 million, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.00% and 2.50%. The amount available under these facilities is reduced to $36.5 million (February 28, 2021 - $33.7 million) by certain open letters of credit (note 20(b)).

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

The Credit Facilities are 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 May 30, 2021 and February 28, 2021, the Company was in compliance with all financial covenants.

12 Financial instruments

The Company has equity derivative contracts 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 13-week period ended May 30, 2021, the Company recorded an unrealized loss of $0.1 million for the change in fair value for these contracts in the consolidated statements of operations in other income (May 31, 2020 - $0.8 million loss). As at May 30, 2021, the equity derivative contracts had a positive fair value of $4.3 million (February 28, 2021 – $4.4 million) which is recorded in prepaid expenses and other current assets in the condensed interim consolidated statements of financial position.

13 Share capital

Between March 2, 2020 and March 17, 2020, the Company repurchased 38,664 subordinate voting shares for cancellation at an average price of $13.51 per subordinate voting share, for total cash consideration of $0.5 million, under the terms of an automated share purchase plan, which expired on May 28, 2020.

As at May 30, 2021, there were 21,937,349 multiple voting shares and 88,142,723 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at May 30, 2021. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

14 Stock options

The Company has granted stock options under the Legacy Plan and the Option Plan.

Legacy Plan

Following completion of the IPO, no additional options will be granted under the Legacy Plan.

Transactions for stock options granted under the Legacy Plan for the 13-week periods ended on May 30, 2021 and May 31, 2020 were as follows:

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

	May 30, 2021		May 31, 2020	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding, at beginning of period	**3,059,324**	**$ 5.13**	3,624,983	$ 4.85
Exercised	**(108,995)**	**2.49**	(38,014)	4.52
Outstanding, at end of period	**2,950,329**	**$ 5.23**	3,586,969	$ 4.86

Stock-based compensation expense in relation to the options under the Legacy Plan for the 13-week period ended May 30, 2021 was nominal (May 31, 2020 – $0.2 million).

Option Plan

Transactions for stock options granted under the Option Plan for the 13-week periods ended May 30, 2021 and May 31, 2020 were as follows:

	May 30, 2021		May 31, 2020	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding, at beginning of period	**5,208,278**	**$ 16.12**	4,158,524	$ 15.22
Granted	**1,304,462**	**30.98**	-	-
Exercised	**(17,258)**	**14.62**	-	-
Forfeited	**(5,006)**	**25.56**	(92,555)	14.40
Outstanding, at end of period	**6,490,476**	**$ 19.10**	4,065,969	$ 15.24

Stock-based compensation expense in relation to the options under the Option Plan for the 13-week period ended May 30, 2021 was $1.9 million (May 31, 2020 - $0.9 million).

Director Deferred Share Unit (“DSU”) Program

Each eligible director receives a portion of his or her annual director retainer in DSUs. DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. The Company is required to record a liability for the potential future settlement of the DSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the DSUs was $4.8 million at May 30, 2021 (February 28, 2021 – $4.6 million), with an expense of $0.2 million for the 13-week period ended May 30, 2021 (May 31, 2020 - $(0.2) million recovery), recorded as stock-based compensation expense.

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

Transactions for DSUs granted for the 13-week periods ended on May 30, 2021 and May 31, 2020 were as follows:

	May 30, 2021	**May 31, 2020**
	Number of DSUs	**Number of DSUs**
Outstanding, at beginning of period	**153,111**	108,959
Granted	**9,534**	13,224
Outstanding, at end of period	**162,645**	122,183

Restricted Share Unit ("RSU") Program

RSUs vest on the third anniversary of the award date and at that time, are redeemable for cash based on the market value of the Company's shares. The Company is required to record a liability for the potential future settlement of the RSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the RSUs was $4.0 million as at May 30, 2021 (February 28, 2021 – $3.1 million), with an expense of $0.9 million for the 13-week period ended May 30, 2021 (May 31, 2020 - $0.1 million), recorded as stock-based compensation expense.

Transactions for RSUs granted for the 13-week periods ended May 30, 2021 and May 31, 2020 were as follows:

	May 30, 2021	**May 31, 2020**
	Number of RSUs	**Number of RSUs**
Outstanding, at beginning of period	**349,046**	145,790
Granted	**238,589**	-
Forfeited	**(909)**	(2,842)
Outstanding, at end of period	**586,726**	142,948

Performance Share Unit ("PSU") Program

During January 2021, the Company implemented a Performance Share Unit ("PSU") Program. A PSU represents the right to receive a subordinated voting share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent at the market value of a share at the vesting date or a combination of cash and shares at the discretion of the Board. PSUs vest on the third anniversary of the award date and are earned only if certain performance targets are achieved. During the 13-week period ended May

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

30, 2021, the Company issued 96,836 PSUs to be settled by the issuance of treasury shares, with a nominal expense recognized during the period. Performance targets will be established in July 2021.

15 Net income (loss) per share

a) Basic

Basic net income (loss) per share is calculated by dividing the income (loss) attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period. 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.

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Net income (loss) attributable to shareholders of the Company	**$ 17,903**	$ (26,471)
Weighted average number of shares outstanding during the period (thousands)	**110,052**	109,353
Basic net income (loss) per share	**$ 0.16**	$ (0.24)

b) Diluted

Net income (loss) per diluted share is calculated by dividing the income (loss) attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period adjusted for the effects of potentially dilutive stock options.

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Net income (loss) attributable to shareholders of the Company	**$ 17,903**	$ (26,471)
Weighted average number of shares for net income (loss) per diluted share (thousands)	**114,711**	109,353
Net income (loss) per diluted share	**$ 0.16**	$ (0.24)

For the 13-week period ended May 30, 2021, 1,325,320 stock options were not included in the calculation of diluted net loss per share as they were anti-dilutive (May 31, 2020 - 7,652,938).

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

16 Net Revenue

Net revenue disaggregated for boutiques and online sales for the 13-week periods ended May 30, 2021 and May 31, 2020 was as follows:

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Retail net revenue	**$ 142,952**	$ 23,760
eCommerce net revenue	**103,964**	87,629
Total net revenue	**$ 246,916**	$ 111,389

17 Expenses by nature

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Cost of goods sold		
Inventory and product-related costs and occupancy costs	**$ 114,072**	$ 74,917
Depreciation expense on right-of-use-assets	**15,811**	15,990
Depreciation expense on property and equipment	**7,925**	7,421
Total cost of goods sold	**$ 137,808**	$ 98,328

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Personnel expenses		
Salaries, wages and employee benefits	**$ 60,304**	$ 49,017
Stock-based compensation expense	**3,035**	979
Government payroll subsidies (note 1)	**(1,834)**	(16,439)
Total personnel expenses	**$ 61,505**	$ 33,557

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

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Finance expense		
Interest expense on lease liabilities (note 8)	**$ 5,627**	$ 6,161
Interest expense and banking fees	**754**	1,176
Amortization of deferred financing fees	**53**	53
Total finance expense	**$ 6,434**	$ 7,390

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Other expense (income)		
Realized foreign exchange loss (gain)	**$ 712**	$ (938)
Unrealized foreign exchange loss (gain)	**2,107**	(658)
Unrealized loss on equity derivative contracts (note 12)	**106**	796
Acquisition costs of CYC Design (note 1)	**662**	-
Secondary Offering costs (note 1)	**450**	-
Interest and other income	**(181)**	(418)
Total other expense (income)	**$ 3,856**	$ (1,218)

18 Income taxes

The income tax expense (recovery) is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rate for the 13-week period ended May 30, 2021 is 26.6% (May 31, 2020 – 26.7%). The Company's effective income tax rate for the 13-week period ended May 30, 2021 is 29.5% (May 31, 2020 – 29.6%). The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

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 is its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's clients, including sales through the Company's eCommerce website and sales at the Company's boutiques.

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

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

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Canada	**$ 132,665**	$ 73,972
United States	**114,251**	37,417
Total net revenue	**$ 246,916**	$ 111,389

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

	As at	
	May 30, 2021	**February 28, 2021**
Canada	**$ 450,867**	$ 458,729
United States	**308,904**	307,987
Total non-current, non-financial assets	**$ 759,771**	$ 766,716

20 Commitments and contingencies

a) Product purchase obligations

At May 30, 2021, the Company had purchase obligations of $49.8 million (February 28, 2021 - $69.8 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

b) Letters of credit

At May 30, 2021, the Company had open letters of credit of $38.5 million (February 28, 2021 - $41.3 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.

The Company entered into the following transactions with related parties:

a) During the 13-week period ended May 30, 2021, the Company made payments of $1.1 million (May 31, 2020 - $0.6 million) for lease of premises and management services and $0.1 million (May 31, 2020 – $nil) 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 May 30, 2021, the outstanding balance of lease liabilities owed to these companies

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

was $11.1 million (February 28, 2021 - $11.6 million). At May 30, 2021, $nil was included in accounts payable and accrued liabilities (February 28, 2021 - $0.2 million). These transactions were measured at the amount of consideration established at market terms.

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

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Salaries, directors' fees and short-term benefits	**$ 1,046**	$ 1,096
Stock-based compensation expense	**876**	89
	$ 1,922	$ 1,185

22 Supplemental cash flow information

	13-week periods ended	
	May 30, 2021	**May 31, 2020**
Net change in non-cash working capital balances		
Accounts receivable	**$ (1,048)**	$ 655
Inventory	**5,394**	(19,615)
Prepaid expenses and other current assets	**(2,101)**	(20,007)
Other assets	**187**	77
Accounts payable and accrued liabilities	**(19,909)**	62,166
Deferred revenue	**(1,190)**	4,901
	$ (18,667)	$ 28,177
Accrued purchases of property and equipment	**$ 4,309**	$ 2,100
Accrued purchases of intangible assets	**-**	84