

ARITZIA

Aritzia Inc.

Condensed Interim Consolidated
Financial Statements
First Quarter of Fiscal 2023

For the 13-week periods ended
May 29, 2022 and May 30, 2021

Aritzia Inc.
Condensed Interim Consolidated Statements of Financial Position
As at May 29, 2022 and February 27, 2022

(Unaudited, in thousands of Canadian dollars)

	Note	May 29, 2022	February 27, 2022
Assets			
Cash and cash equivalents		\$ 179,358	\$ 265,245
Accounts receivable		9,081	8,147
Income taxes recoverable		10,660	6,455
Inventory	5	298,648	208,125
Prepaid expenses and other current assets	12	25,754	33,564
Total current assets		\$ 523,501	\$ 521,536
Property and equipment	6	234,968	223,190
Intangible assets	7	86,855	87,398
Goodwill	7	198,846	198,846
Right-of-use assets	8	354,743	362,887
Other assets		4,462	4,271
Deferred tax assets		17,159	26,458
Total assets		\$ 1,420,534	\$ 1,424,586
Liabilities			
Accounts payable and accrued liabilities	9	\$ 264,439	\$ 179,344
Income taxes payable		—	58,917
Current portion of contingent consideration	12	6,619	6,619
Current portion of lease liabilities	8	86,832	86,724
Deferred revenue		52,750	55,721
Total current liabilities		\$ 410,640	\$ 387,325
Lease liabilities	8	409,798	417,067
Other non-current liabilities	10	20,240	22,359
Contingent consideration	12	—	6,618
Non-controlling interest in exchangeable shares liability	12	35,500	35,500
Deferred tax liabilities		24,741	24,906
Total liabilities		\$ 900,919	\$ 893,775
Shareholders' equity			
Share capital	13	\$ 248,991	\$ 251,291
Contributed surplus		59,129	56,342
Retained earnings		212,443	223,553
Accumulated other comprehensive loss		(948)	(375)
Total shareholders' equity		519,615	530,811
Total liabilities and shareholders' equity		\$ 1,420,534	\$ 1,424,586

Commitments and contingencies

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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 29, 2022 and May 30, 2021

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

	Note	May 29, 2022	May 30, 2021
Net revenue	16, 19	\$ 407,910	\$ 246,916
Cost of goods sold	17	227,014	137,808
Gross profit		180,896	109,108
Operating expenses			
Selling, general and administrative		120,279	70,382
Stock-based compensation expense	14, 17	673	3,035
Income from operations		59,944	35,691
Finance expense	8, 11, 17	6,048	6,434
Other expense (income)	12, 17	6,522	3,856
Income before income taxes		47,374	25,401
Income tax expense	18	14,113	7,498
Net income		\$ 33,261	\$ 17,903
Net income per share			
Basic	15	\$ 0.30	\$ 0.16
Diluted	15	\$ 0.29	\$ 0.16
Weighted average number of shares outstanding (thousands)			
Basic	15	111,032	110,052
Diluted	15	116,080	114,711

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

Aritzia Inc.
Condensed Interim Consolidated Statements of Comprehensive Income
For the 13-week periods ended May 29, 2022 and May 30, 2021

(Unaudited, in thousands of Canadian dollars)

	May 29, 2022	May 30, 2021
Net income	\$ 33,261	\$ 17,903
Other comprehensive loss		
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation adjustment	(573)	(96)
Comprehensive income	\$ 32,688	\$ 17,807

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 29, 2022 and May 30, 2021

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

	Multiple voting shares		Subordinate voting shares		Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amounts	Shares	Amounts				
Balance, February 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 equity-settled plans (note 14)	—	—	—	—	1,903	—	—	1,903
Share exchange at secondary offering (note 13)	(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
Balance, February 27, 2022	21,937,349	\$ 15,858	89,181,069	\$ 235,433	\$ 56,342	\$ 223,553	\$ (375)	\$ 530,811
Net Income	—	—	—	—	—	33,261	—	33,261
Options exercised (note 14)	—	—	65,518	1,055	(437)	—	—	618
Stock-based compensation expense on equity-settled plans (note 14)	—	—	—	—	3,224	—	—	3,224
Shares repurchased for cancellation (note 13)	—	—	(869,380)	(2,295)	—	(30,431)	—	(32,726)
Share repurchase commitment under the automatic share purchase plan (note 13)	—	—	—	(1,060)	—	(13,940)	—	(15,000)
Foreign currency translation adjustment	—	—	—	—	—	—	(573)	(573)
Balance, May 29, 2022	21,937,349	\$ 15,858	88,377,207	\$ 233,133	\$ 59,129	\$ 212,443	\$ (948)	\$ 519,615

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 29, 2022 and May 30, 2021

(Unaudited, in thousands of Canadian dollars)

	Note	May 29, 2022	May 30, 2021
Operating activities			
Net income for the period		\$ 33,261	\$ 17,903
Adjustments for:			
Depreciation and amortization	6, 7	12,300	10,441
Depreciation on right-of-use assets	8	17,771	16,318
Finance expense	17	6,048	6,434
Stock-based compensation expense	14, 17	673	3,035
Amortization of deferred lease inducements		(268)	(273)
Unrealized loss on equity derivative contracts	12, 17	8,527	106
Income tax expense	18	14,113	7,498
Rent concessions relating to lease liabilities	8	—	(233)
Cash generated before non-cash working capital balances and interest and income taxes		92,425	61,229
Net change in non-cash working capital	22	(27,570)	(18,667)
Cash generated before interest and income taxes		64,855	42,562
Interest paid		(639)	(775)
Interest paid on lease liabilities	8	(5,409)	(4,847)
Income taxes paid		(68,125)	(11,168)
Net cash generated from operating activities		(9,318)	25,772
Financing activities			
Repayment of principal on lease liabilities	8	(21,212)	(8,092)
Proceeds from lease incentives		1,272	3,883
Proceeds from options exercised	14	618	523
Shares repurchased for cancellation	13	(25,454)	—
Net cash used in financing activities		(44,776)	(3,686)
Investing activities			
Purchase of property and equipment	6	(25,420)	(10,383)
Purchase of intangible assets	7	(207)	(22)
Contingent consideration payout, net relating to the acquisition of CYC Design Corporation	12	(5,625)	—
Cash used in investing activities		(31,252)	(10,405)
Effect of exchange rate changes on cash and cash equivalents		(541)	(2,950)
Change in cash and cash equivalents		(85,887)	8,731
Cash and cash equivalents – Beginning of period		265,245	149,147
Cash and cash equivalents – End of period		\$ 179,358	\$ 157,878

Supplemental cash flow information

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

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

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the “Company”) are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. The Company provides immersive and highly personal shopping experiences at aritzia.com and in 100+ boutiques throughout North America.

On June 25, 2021, the Company acquired 75% of the common shares in CYC Design Corporation (“CYC”), a leading designer and manufacturer of premium athletic wear, Reigning Champ. This acquisition will accelerate the Company’s product expansion into men’s wear. The results of operations, financial position, and cash flows of CYC have been included in the Company’s consolidated financial statements since the date of acquisition.

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”.

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 February 27, 2022 (“Fiscal 2022”). 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 7, 2022 by the Company’s Board of Directors (“Board”).

COVID-19 Pandemic

The outbreak of a novel strain of coronavirus (“COVID-19”) caused governments and public health officials to impose restrictions and recommend precautions to mitigate the spread of the virus. Since the start of the

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

pandemic, the Company experienced intermittent temporary boutique closures and capacity restrictions as a result of government and health authority guidance. In the first quarter of Fiscal 2022, 34 locations in Ontario, Quebec and Nova Scotia were temporarily closed for approximately two-thirds of the quarter. As at July 12 2021, all of the Company's boutiques had reopened. The Company's operations continue to be indirectly impacted by the COVID-19 pandemic through ongoing global supply chain disruptions. 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. Management continues to monitor and assess the impact on the business as well as on certain judgements and estimates.

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 2022 audited consolidated financial statements, with the exception of any accounting standards adopted in the year ending February 26, 2023 ("Fiscal 2023").

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 Company is currently assessing the potential impact of these amendments.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting

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

policy information rather than their significant accounting policies. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted and are to be applied prospectively. The Company is currently assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the potential impact of these amendments.

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 2022 audited consolidated financial statements.

5 Inventory

	May 29, 2022	February 27, 2022
Finished goods	\$ 215,687	\$ 131,954
Finished goods in transit	72,148	69,656
Raw materials	10,813	6,515
Inventory	\$ 298,648	\$ 208,125

Aritzia Inc.
Notes to Condensed Interim Consolidated Financial Statements
May 29, 2022

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

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 \$0.7 million for the 13-week period ended May 29, 2022 (May 30, 2021 - \$1.4 million). No inventory write-downs recorded in previous periods were reversed.

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

6 Property and equipment

During the 13-week period ended May 29, 2022, the Company had property and equipment additions of \$23.2 million (May 30, 2021 - \$11.8 million), the majority of which were related to leasehold improvements made to its boutiques and distribution centers, and the purchase of furniture and equipment for such boutiques and distribution centers.

7 Goodwill and intangible assets

During the 13-week period ended May 29, 2022, the Company had intangible asset additions of \$0.4 million (May 30, 2021 - nil), the majority of which were related to internally developed computer software.

8 Leases

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

The following table reconciles the change in right-of-use assets for the 13-week period ended May 29, 2022:

	Right-of-use assets
Cost	
Balance, February 27, 2022	\$ 549,778
Additions, net of lease incentives received	6,788
Modifications	(620)
Foreign exchange	(237)
Balance, May 29, 2022	\$ 555,709
Accumulated depreciation	
Balance, February 27, 2022	\$ 186,891
Depreciation	17,638
Amortization of fair value adjustment on CYC leases	133
Modifications	(3,644)
Foreign exchange	(52)
Balance, May 29, 2022	\$ 200,966
Net carrying value	
Balance, February 27, 2022	\$ 362,887
Balance, May 29, 2022	\$ 354,743

Aritzia Inc.
Notes to Condensed Interim Consolidated Financial Statements
May 29, 2022

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

The following table reconciles the change in the lease liabilities for the 13-week period ended May 29, 2022:

	Lease liabilities
Balance, February 27, 2022	\$ 503,791
Additions	11,250
Interest expense on lease liabilities (note 17)	5,409
Repayment of interest and principal on lease liabilities	(26,621)
Modifications	3,014
Foreign exchange	(213)
Balance, May 29, 2022	\$ 496,630
Current portion of lease liabilities	86,832
Long-term portion of lease liabilities	409,798
Lease liabilities	\$ 496,630

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

	May 29, 2022	May 30, 2021
Depreciation on right-of-use assets, excluding fair value adjustments	\$ 17,638	\$ 16,318
Interest expense on lease liabilities (note 17)	5,409	5,627
Variable lease expense	5,687	1,328
Lease payments relating to short-term or low value leases	712	491
Common area maintenance, property taxes and other	9,266	9,485
Total rent and rent-related expenses	\$ 38,712	\$ 33,249

9 Accounts payable and accrued liabilities

	May 29, 2022	February 27, 2022
Trade accounts payable	\$ 188,130	\$ 124,506
Other non-trade payables	21,512	12,469
Employee benefits payable	52,682	38,494
Current portion of Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 14)	2,115	3,875
Accounts payable and accrued liabilities	\$ 264,439	\$ 179,344

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

10 Other non-current liabilities

	May 29, 2022	February 27, 2022
Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 14)	\$ 13,778	\$ 15,736
Deferred lease inducements	6,086	6,250
Asset retirement obligations	376	373
Other non-current liabilities	\$ 20,240	\$ 22,359

11 Bank indebtedness and long-term debt

On July 13, 2021, the Company refinanced its term loan and revolving credit facility, 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. The Company incurred \$0.7 million of financing fees as part of the refinancing in the year ended February 27, 2022, which have been deferred and are being amortized over the term of the facility.

The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.50% and 2.50% (February 27, 2022 – 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 29, 2022 and February 27, 2022, no advances were made under the revolving credit facility.

The Company also has letters of credit facilities of \$75.0 million, secured pari passu with the revolving credit facility. The interest rate for the letters of credit is between 1.00% and 2.50%. As at May 29, 2022, the amount available under these facilities was reduced to \$29.5 million (February 27, 2022 - \$31.5 million) by certain open letters of credit (Note 20(b)).

The revolving credit facility is collateralized by a first priority lien on all property and equipment, leased real property interests and inventory. In addition, the Company is required to maintain certain financial covenants. As at May 29, 2022 and February 27, 2022, the Company was in compliance with all financial covenants.

12 Financial instruments**Equity derivative contracts**

The Company has equity derivative contracts (total return swaps) to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes. During the 13-week period ended May 29, 2022, the Company recorded an unrealized loss of \$8.5 million for the change in fair value for these contracts in the condensed interim consolidated statements of operations in other expense (income) (May 30, 2021 - \$0.1 million loss). As at May 29, 2022, the equity derivative contracts had a positive fair value of \$7.1 million (February 27, 2022 – \$15.6 million) which is recorded in prepaid expenses and other current assets in the condensed interim consolidated statements of financial position.

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

Contingent consideration

The Company has a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at the acquisition date of CYC on June 25, 2021, the Company recorded a contingent consideration liability of \$13.2 million (note 1) which is payable in two equal installments of \$6.6 million on May 31, 2022 and May 31, 2023. During the 13 week period ended May 29, 2022, the first installment was paid to CYC net of \$1.0 million in indemnities and shared costs pursuant to the purchase agreement. During the 13 week period ended May 29, 2022, there was no change in fair value of the remaining contingent consideration.

Non-controlling interest in exchangeable shares liability

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

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

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

The fair value of the non-controlling interest in exchangeable shares liability was estimated for the 13-week period ended May 29, 2022 based on the Monte Carlo simulation using the following assumptions:

Initial business enterprise value (100%)	\$63.0 million
Capped enterprise value (remaining 25% purchase)	\$60.0 million
Gross profit expected volatility	20.0%
Gross profit discount rate	14.0%
Expected life	4.3 years

13 Share capital

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, Founder and Executive Chair of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting shares

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

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. 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 were paid by the Company.

On January 12, 2022, the Company announced the commencement of a normal course issuer bid (the "NCIB") to repurchase and cancel up to 3,732,725 of its subordinate voting shares, representing approximately 5% of the public float of 74,654,507, over the 12-month period commencing January 17, 2022 and ending January 16, 2023. All repurchases are made through the facilities of the Toronto Stock Exchange and are done at market prices. The amounts paid above the average book value of the subordinate voting shares are charged to retained earnings. During the 13-week period ended May 29, 2022, the Company repurchased a total of 869,380 subordinate voting shares for cancellation at an average price of \$37.63 per subordinate voting share for total cash consideration of \$32.7 million. As at May 29, 2022, \$8.2 million of cash consideration related to subordinate voting share repurchases was recorded in accounts payable and accrued liabilities (February 27, 2022 - \$1.0 million).

On May 18, 2022, the Company entered into an automatic share purchase plan (the "ASPP") with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the NCIB during self-imposed blackout periods. The volume of purchases is determined by the broker in its sole discretion based on purchase price and maximum volume parameters established by the Company under the ASPP. All purchases made under the ASPP will be included in computing the number of subordinate voting shares purchased under the NCIB. The Company records a liability for purchases that are estimated to occur during blackout periods based on the parameters of the NCIB and ASPP. As at May 29, 2022, a maximum obligation to purchase \$15.0 million subordinate voting shares was recognized under the ASPP in accounts payable and accrued liabilities on the consolidated statements of financial position.

As at May 29, 2022, there were 21,937,349 multiple voting shares and 88,377,207 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at May 29, 2022. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

14 Stock-based compensation

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

Legacy Plan

Following completion of the initial public offering in October 2016, 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 May 29, 2022 and May 30, 2021 were as follows:

Aritzia Inc.

Notes to Condensed Interim Consolidated Financial Statements

May 29, 2022

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

	May 29, 2022		May 30, 2021	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of period	2,213,883	\$ 5.35	3,059,324	\$ 5.13
Exercised	(40,477)	5.81	(108,995)	2.49
Outstanding, at end of period	2,173,406	\$ 5.34	2,950,329	\$ 5.23

Stock-based compensation expense in relation to the options under the Legacy Plan for the 13-week period ended May 29, 2022 was nil (May 30, 2021 – nominal) as the options have been fully vested and expensed.

Omnibus Plan

Transactions for stock options granted under the Omnibus Plan for the 13-week periods ended May 29, 2022 and May 30, 2021 were as follows:

	May 29, 2022		May 30, 2021	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of period	6,380,499	\$ 21.16	5,208,278	\$ 16.12
Granted	109,039	37.38	1,304,462	30.98
Exercised	(24,865)	15.42	(17,258)	14.62
Forfeited	(50,283)	27.14	(5,006)	25.56
Outstanding, at end of period	6,414,390	\$ 21.42	6,490,476	\$ 19.10

The weighted average fair value of the time-based stock options granted during the 13-week period ended May 29, 2022 was estimated at the date of grant based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	40.7%
Risk-free interest rate	2.8%
Expected life	5.0 years
Exercise price	\$37.38

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

Stock-based compensation expense in relation to the options under the Omnibus Plan for the 13-week period ended May 29, 2022 was \$2.8 million (May 30, 2021 - \$1.9 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 \$6.0 million at May 29, 2022 (February 27, 2022 – \$7.6 million), with an expense (recovery) of (\$1.6) million for the 13-week period ended May 29, 2022 (May 30, 2021 - \$0.2 million), recorded as stock-based compensation expense.

Transactions for DSUs granted for the 13-week periods ended May 29, 2022 and May 30, 2021 were as follows:

	May 29, 2022	May 30, 2021
	Number of DSUs	Number of DSUs
Outstanding, at beginning of period	153,826	153,111
Granted	7,607	9,534
Outstanding, at end of period	161,433	162,645

Restricted Share Unit ("RSU") Program

Cash-settled 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 \$9.9 million as at May 29, 2022 (February 27, 2022 – \$12.0 million), with an expense (recovery) of (\$1.0) million for the 13-week period ended May 29, 2022 (May 30, 2021 - \$0.9 million), recorded as stock-based compensation expense.

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

Transactions for cash-settled RSUs granted for the 13-week periods ended May 29, 2022 and May 30, 2021 were as follows:

	May 29, 2022	May 30, 2021
	Number of RSUs	Number of RSUs
Outstanding, at beginning of year	652,846	349,046
Granted	—	238,589
Settled in cash	(31,393)	—
Forfeited	(5,762)	(909)
Outstanding, at end of year	615,691	586,726

Transactions for equity-settled RSUs granted for the 13-week period ended May 29, 2022 were as follows:

	May 29, 2022
	Number of RSUs
Outstanding, at beginning of year	—
Granted	30,936
Outstanding, at end of year	30,936

Stock-based compensation expense in relation to the equity-settled RSUs for the 13-week period ended May 29, 2022 was nominal.

Performance Share Unit ("PSU") Program

In 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 and can decrease or increase if minimum or maximum performance targets are achieved.

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

Transactions for PSUs granted for the 13-week periods ended May 29, 2022 and May 30, 2021 were as follows:

	May 29, 2022	May 30, 2021
	Number of PSUs	Number of PSUs
Outstanding, at beginning of year	96,836	—
Granted	—	96,836
Outstanding, at end of year	96,836	96,836

Stock-based compensation expense in relation to the PSUs for the 13-week period ended May 29, 2022 was \$0.4 million (May 30, 2021 - nominal).

15 Net income per share

a) Basic

Basic net income per share is calculated by dividing the income 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 29, 2022	May 30, 2021
Net income attributable to shareholders of the Company	\$ 33,261	\$ 17,903
Weighted average number of shares outstanding during the year (thousands)	111,032	110,052
Basic net income per share	\$ 0.30	\$ 0.16

b) Diluted

Net income per diluted share is calculated by dividing the income 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, PSUs and the non-controlling interest in exchangeable shares liability.

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	13-week periods ended	
	May 29, 2022	May 30, 2021
Net income attributable to shareholders of the Company	\$ 33,261	\$ 17,903
Weighted average number of shares for net income per diluted share (thousands)	116,080	114,711
Net income per diluted share	\$ 0.29	\$ 0.16

For the 13-week period ended May 29, 2022, 319,554 stock options, along with the non-controlling interest in exchangeable shares liability were not included in the calculation of diluted net income per share as they were anti-dilutive (May 30, 2021 – 1,325,320).

16 Net Revenue

Net revenue disaggregated for eCommerce and boutiques was as follows:

	13-week periods ended	
	May 29, 2022	May 30, 2021
eCommerce net revenue	\$ 120,086	\$ 103,964
Retail net revenue	287,824	142,952
Net revenue	\$ 407,910	\$ 246,916

17 Expenses by nature

	13-week periods ended	
	May 29, 2022	May 30, 2021
Cost of goods sold		
Inventory and product-related costs and occupancy costs	\$ 200,318	\$ 114,072
Depreciation on right-of-use assets	17,162	15,811
Depreciation expense on property and equipment	9,534	7,925
Cost of goods sold	\$ 227,014	\$ 137,808

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

	13-week periods ended	
	May 29, 2022	May 30, 2021
Personnel expenses		
Salaries, wages and employee benefits	\$ 96,294	\$ 60,304
Stock-based compensation expense (note 14)	673	3,035
Government payroll subsidies	—	(1,834)
Personnel expenses	\$ 96,967	\$ 61,505

	13-week periods ended	
	May 29, 2022	May 30, 2021
Finance expense		
Interest expense on lease liabilities (note 8)	5,409	\$ 5,627
Interest expense and banking fees	593	754
Amortization of deferred financing fees	46	53
Finance expense	\$ 6,048	\$ 6,434

	13-week periods ended	
	May 29, 2022	May 30, 2021
Other expense (income)		
Realized foreign exchange loss	\$ 77	\$ 712
Unrealized foreign exchange loss (gain)	(1,577)	2,107
Unrealized loss on equity derivative contracts (note 12)	8,527	106
Acquisition costs of CYC (note 1)	—	662
Secondary Offering costs (note 13)	—	450
Interest and other income	(505)	(181)
Other expense (income)	\$ 6,522	\$ 3,856

18 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rate for the 13-week period ended May 29, 2022, is 26.6% (May 30, 2021 – 26.6%). The Company's effective income tax rate for the 13-week period ended May 29, 2022 is 29.8% (May 30, 2021 – 29.5%). The effective tax rates are driven largely by the

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

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:

	13-week periods ended	
	May 29, 2022	May 30, 2021
Canada	\$ 201,126	\$ 132,665
United States	206,784	114,251
Net revenue	\$ 407,910	\$ 246,916

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:

	May 29, 2022	February 27, 2022
Canada	\$ 540,094	\$ 534,419
United States	335,318	337,902
Non-current, non-financial assets	\$ 875,412	\$ 872,321

20 Commitments and contingencies

a) Product purchase obligations

At May 29, 2022, the Company had purchase obligations of \$153.6 million (February 27, 2022 - \$155.9 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 29, 2022, the Company had open letters of credit of \$45.5 million (February 27, 2022 - \$43.5 million).

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

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 29, 2022, the Company made payments of \$1.2 million (May 30, 2021 - \$1.1 million) for lease of premises and management services and \$0.1 million (May 30, 2021 - \$0.1 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at May 29, 2022, \$0.1 million was included in accounts payable and accrued liabilities (February 27, 2022 - \$0.5 million). As at May 29, 2022, the outstanding balance of lease liabilities owed to these companies was \$12.5 million (February 27, 2022 - \$13.3 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 29, 2022	May 30, 2021
Salaries, directors' fees and short-term benefits	\$ 1,189	\$ 1,046
Stock-based compensation expense	(609)	876
Key management compensation	\$ 580	\$ 1,922

22 Supplemental cash flow information

	13-week periods ended	
	May 29, 2022	May 30, 2021
Accounts receivable	\$ 2,370	\$ (1,048)
Inventory	(90,596)	5,394
Prepaid expenses and other current assets	(720)	(2,101)
Other assets	(236)	187
Accounts payable and accrued liabilities	64,562	(19,909)
Deferred revenue	(2,950)	(1,190)
Net change in non-cash working capital balances	\$ (27,570)	\$ (18,667)
Accrued purchases of property and equipment	\$ 6,835	\$ 4,309
Accrued purchases of intangible assets	\$ 410	\$ —