Aritzia Reports Third Quarter Fiscal 2023 Financial Results

Q3 net revenue increased by 37.8% to $624.6 million
Q3 net income increased by 8.9% to $70.7 million
Q3 Adjusted EBITDA[1] increased by 9.5% to $119.6 million

VANCOUVER, January 11, 2023 – Aritzia Inc. (TSX: ATZ, "Aritzia", the "Company", "we" or "our"), a vertically integrated, innovative design house offering Everyday Luxury online and in its boutiques, today announced its financial results for third quarter fiscal 2023 ended November 27, 2022 ("Q3 2023").

"The outstanding momentum in our business continued through the record-breaking third quarter of fiscal 2023, resulting in net revenue of $625 million, the highest of any quarter in Aritzia's history. All geographies and all channels contributed to our better than anticipated results, fueled by a tremendous client response to our collection of beautiful products and our Everyday Luxury experience," said Jennifer Wong, Chief Executive Officer. "Revenue in the United States grew 58%, driven by our growing brand awareness and exceptional comparable store sales results. Total eCommerce revenue increased an impressive 36% on top of 47% last year, showcasing the strength of our multi-channel business."

"Our strong performance has carried into the fourth quarter to date, with client demand balanced across our product assortment. Looking ahead, we will continue to strategically invest in the infrastructure that will allow us to execute on our long-term growth plan and beyond. I am extraordinarily proud of our team of world-class talent, whose dedication to excellence and hard work is propelling us toward our goals," concluded Ms. Wong.

Third Quarter Highlights

- **Net revenue** increased 37.8% to $624.6 million from Q3 2022[2], achieving comparable sales growth[1] of 22.8% compared to Q3 2022
- **United States net revenue** increased 57.8% to $313.5 million from Q3 2022, comprising 50.2% of net revenue in Q3 2023
- **Retail net revenue** increased 38.6% to $423.2 million from Q3 2022
- **eCommerce net revenue** increased 36.1% to $201.4 million from Q3 2022, comprising 32.2% of net revenue in Q3 2023
- **Gross profit margin**[1] decreased 310 bps to 43.3% from 46.4% in Q3 2022
- **Net income** increased 8.9% to $70.7 million from Q3 2022
- **Adjusted EBITDA**[1] increased 9.5% to $119.6 million from Q3 2022
- **Net income per diluted share** of $0.61 per share, compared to $0.56 per share in Q3 2022
- **Adjusted Net Income**[1] **per Diluted Share** of $0.67 per share, compared to $0.61 per share in Q3 2022

(1) Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures or supplementary financial measures. See "Comparable Sales Growth", "Non-IFRS Measures and Retail Industry Metrics" and "Selected Consolidated Financial Information".

(2) All references in this press release to "Q3 2022" are to our 13-week period ended November 28, 2021 and to "YTD 2022" are to our 39-week period ended November 28, 2021 and to "YTD 2023" are to our 39-week period ended November 27, 2022. All references in this press release to "fiscal 2023" are to our 52-week period ending February 26, 2023 and to "fiscal 2022" are to our 52-week period ended February 27, 2022.

Third Quarter Results Compared to Q3 2022

(Unaudited, in thousands of Canadian dollars, unless otherwise noted)	**Q3 2023 13 weeks**		**Q3 2022 13 weeks**		**Variance**	
					%	*% pts*
Retail net revenue	$ 423,224	67.8 %	$ 305,345	67.4 %	38.6%	
eCommerce net revenue	201,391	32.2 %	147,978	32.6 %	36.1%	
Net revenue	$ 624,615	100.0 %	$ 453,323	100.0 %	37.8%	
Gross profit	$ 270,663	43.3 %	$ 210,142	46.4 %	28.8%	(3.1)%
Selling, general and administrative ("SG&A")	$ 163,737	26.2 %	$ 110,084	24.3 %	48.7%	1.9 %
Net income	$ 70,728	11.3 %	$ 64,941	14.3 %	8.9%	(3.0)%
Net income per diluted share	$ 0.61		$ 0.56		8.9%	
Adjusted EBITDA(1)	$ 119,618	19.2 %	$ 109,289	24.1 %	9.5%	(4.9)%
Adjusted Net Income(1) **per Diluted Share**	$ 0.67		$ 0.61		9.8%	

Net revenue increased by 37.8% to $624.6 million, compared to $453.3 million in Q3 2022. The Company continues to see strong momentum in the United States, where net revenues increased by 57.8% to $313.5 million, compared to $198.7 million in Q3 2022.

- **Retail net revenue** increased by 38.6% to $423.2 million, compared to $305.3 million in Q3 2022. The increase was led by outstanding performance of our existing and new boutiques in the United States and high single digit comparable sales growth in Canada. Boutique count at the end of Q3 2023 totaled 113 compared to 105 boutiques at the end of Q3 2022.
- **eCommerce net revenue** increased by 36.1% to $201.4 million, compared to $148.0 million in Q3 2022, driven by exceptional performance in the United States and double digit growth in Canada.

Gross profit increased by 28.8% to $270.7 million, compared to $210.1 million in Q3 2022. Gross profit margin was 43.3%, compared to 46.4% in Q3 2022. The 310 bps decrease in gross profit margin was primarily driven by ongoing inflationary pressures, additional warehousing costs related to inventory management and foreign currency headwinds. These impacts were partially offset by lower expedited freight costs and leverage on occupancy and depreciation costs.

SG&A expenses increased by 48.7% to $163.7 million, compared to $110.1 million in Q3 2022. SG&A expenses were 26.2% of net revenue, compared to 24.3% in Q3 2022. The increase in SG&A expenses was primarily due to additional investments in retail talent to ensure the Company continues to deliver exceptional client service, as well as ongoing investments in talent, marketing initiatives and technology to support its growth.

Net income was $70.7 million, an increase of 8.9% compared to $64.9 million in Q3 2022.

Net income per diluted share was $0.61, an increase of 8.9% compared to $0.56 in Q3 2022.

Adjusted EBITDA(1) was $119.6 million or 19.2% of net revenue, an increase of 9.5% compared to $109.3 million or 24.1% of net revenue in Q3 2022.

Adjusted Net Income(1) was $76.6 million, an increase of 7.6% compared to $71.2 million in Q3 2022.

Adjusted Net Income(1) **per Diluted Share** was $0.67, an increase of 9.8% compared to $0.61 in Q3 2022.

Cash and cash equivalents at the end of Q3 2023 totaled $131.9 million compared to $305.9 million at the end of Q3 2022.

Inventory at the end of Q3 2023 was $508.4 million, an increase of 187.5% compared to $176.9 million at the end of Q3 2022. The supply chain environment was dynamic and uncertain at the time the Company began placing orders for Fall and Winter product over 12 months ago. As a result, the Company made the strategic decision to order future season buys earlier, in order to build back its inventory base due to unprecedented sales growth, mitigate supply chain risk, and ensure the Company's ability to fuel the robust demand for its product. On top of that, improved freight timelines resulted in inventory arriving even sooner than anticipated, contributing to the year-over-year increase. The Company is comfortable with its inventory position to meet client demand and expects normalized markdowns in the fourth quarter to be no greater than pre-pandemic levels.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $26.4 million in Q3 2023, compared to $20.3 million in Q3 2022.

YTD 2023 Compared to YTD 2022

(in thousands of Canadian dollars, unless otherwise noted)	**YTD 2023 39 weeks**		**YTD 2022 39 weeks**		**Variance**	
					%	*% pts*
Retail net revenue	$1,062,678	68.2 %	$ 667,936	63.6 %	59.1 %	
eCommerce net revenue	495,370	31.8 %	382,372	36.4 %	29.6 %	
Net revenue	$1,558,048	100.0 %	$1,050,308	100.0 %	48.3 %	
Gross profit	$ 671,832	43.1 %	$ 475,446	45.3 %	41.3 %	(2.2)%
SG&A	$ 431,170	27.7 %	$ 272,581	26.0 %	58.2 %	1.7 %
Net income	$ 150,250	9.6 %	$ 122,692	11.7 %	22.5 %	(2.1)%
Net income per diluted share	$ 1.30		$ 1.06		22.6 %	
Adjusted EBITDA[1]	$ 271,827	17.4 %	$ 223,082	21.2 %	21.9 %	(3.8)%
Adjusted Net Income [1] **per Diluted Share**	$ 1.46		$ 1.19		22.7 %	

Net revenue increased by 48.3% to $1.6 billion, compared to $1.1 billion in YTD 2022[2]. The Company continues to see strong momentum in the United States, where net revenues increased by 70.6% to $783.5 million, compared to $459.3 million in YTD 2022. The Company also saw meaningful growth in Canada where net revenue increased by 31.1% to $774.5 million, compared to $591.0 million in YTD 2022.

– **Retail net revenue** increased by 59.1% to $1.1 billion, compared to $667.9 million in YTD 2022. The increase in revenue was led by outstanding performance of our existing and new boutiques in the United States, strong double digit comparable sales growth in Canada, as well as boutique revenue from 34 of our boutiques which were closed for approximately two-thirds of the first quarter of fiscal 2022 ("Q1 2022") and one-third of the second quarter of fiscal 2022 ("Q2 2022").
– **eCommerce net revenue** increased by 29.6% to $495.4 million, compared to $382.4 million in YTD 2022. Overall eCommerce revenue growth was moderated by the channel shift to retail in Eastern Canada where 34 of our boutiques were closed for approximately two-thirds of Q1 2022 and one-third of Q2 2022.

Gross profit increased by 41.3% to $671.8 million, compared to $475.4 million in YTD 2022. Gross profit margin was 43.1% compared to 45.3% in YTD 2022. The 220 bps decrease in gross profit margin was primarily due to inflationary pressures, higher freight costs, additional warehousing costs and foreign currency headwinds, as well as normalized markdowns from YTD 2022 due to low inventory levels last year. These impacts were partially offset by leverage on occupancy and depreciation costs.

SG&A expenses increased by 58.2% to $431.2 million, compared to $272.6 million in YTD 2022. SG&A expenses were 27.7% of net revenue compared to 26.0% in YTD 2022. The increase in SG&A expenses was primarily due to additional investments in retail talent to ensure the Company continues to deliver exceptional client service, as well as ongoing investments in talent, marketing initiatives and technology to support its growth.

Net income was $150.3 million, an increase of 22.5% compared to $122.7 million in YTD 2022.

Net income per diluted share was $1.30, an increase of 22.6%, compared to $1.06 in YTD 2022.

Adjusted EBITDA[1] was $271.8 million, or 17.4% of net revenue, an increase of 21.9%, compared to $223.1 million, or 21.2% of net revenue in YTD 2022.

Adjusted Net Income[1] was $168.1 million, an increase of 22.5%, compared to $137.3 million in YTD 2022.

Adjusted Net Income[1] **per Diluted Share** was $1.46, an increase of 22.7%, compared to $1.19 in YTD 2022.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $73.5 million, compared to $36.2 million in YTD 2022.

Outlook

Aritzia's strong momentum continued into the fourth quarter of fiscal 2023, as robust demand for the Company's products continued throughout the entire holiday selling season. Aritzia is on track to deliver net revenue in the range of $580 million to $600 million in the fourth quarter of fiscal 2023, representing an increase of approximately 31% to 35% from last year. This reflects and is based upon the Company's key assumptions that there will be continued strength in the United States across both its retail and eCommerce channels, as well as strong performance of the Company's business in Canada.

For fiscal 2023, Aritzia currently expects the following:

- Net revenue in the range of $2.14 billion to $2.16 billion, representing an increase of approximately 44% from fiscal 2022, up from the Company's previous outlook of $2.0 billion to $2.05 billion. This is led by continued outperformance in the United States across both channels and ongoing growth in Canada, as well as the contribution from retail expansion with:
  - Eight new boutiques, including seven boutiques in the United States and one in Canada; and
  - Five boutique expansions or repositions, including four locations in Canada and one in the United States.
- Gross profit margin in the fourth quarter to decrease by approximately 250 bps compared to the fourth quarter of fiscal 2022, reflecting additional warehousing costs related to inventory management, ongoing inflationary pressures and foreign exchange headwinds. This implies an annual gross margin decline of approximately 200 bps to 225 bps compared to fiscal 2022[3].
- SG&A as a percent of net revenue in the fourth quarter to be approximately in line with the fourth quarter of fiscal 2022, as leverage on fixed costs offsets ongoing investments to fuel our future growth. This implies an annual increase in SG&A as a percent of revenue of approximately 125 bps compared to fiscal 2022[3].
- Net capital expenditures in the range of $110 million to $120 million, comprised of:
  - Boutique network growth,
  - New distribution centre in the Greater Toronto Area, and
  - Ongoing investments in technology and infrastructure to enhance the Company's eCommerce capabilities and omni-channel experience, as well as support office expansion.

The foregoing outlook is based on management's current strategies and may be considered forward-looking information under applicable securities laws. Such outlook is based on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment as well as further COVID-19 resurgences. This outlook is intended to provide readers management's projections for the Company as of the date of this press release. Readers are cautioned that actual results may vary and that the information in the outlook may not be appropriate for other purposes. See also the "Forward-Looking Information" section of this press release and the "Forward-Looking Information" and "Risk Factors" sections of our Management's Discussion & Analysis dated January 11, 2023 for the third quarter of fiscal 2023 ("the Q3 2023 MD&A"), our Management's Discussion & Analysis dated May 5, 2022 (the "fiscal 2022 MD&A") and the Company's annual information form for fiscal 2022 (the "AIF").

In addition, a discussion of the Company's long-term financial plan is contained in the Company's press release dated October 27, 2022, "Aritzia Presents its Fiscal 2027 Strategic and Financial Plan, Powering Stronger". This press release is available on SEDAR under the Company's profile at www.SEDAR.com and on our website at investors.aritzia.com.

(3) Compared to the Company's previous outlook for gross profit margin of 100 bps to 150 bps and SG&A as a percent of net revenue of 50 bps to 100 bps.

Normal Course Issuer Bid

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.

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. In relation to the secondary offering announced by the Company on November 14, 2022, the ASPP was automatically terminated, pursuant to its terms.

Between January 17, 2022 and January 10, 2023, the Company repurchased a total of 1,783,780 subordinate voting shares for cancellation at an average price of $38.77 per subordinate voting share for total cash consideration of $69.2 million.

Completion of Secondary Offering

On November 14, 2022, the Company announced a secondary offering (the "2022 Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and/or controlled, directly or indirectly, by Brian Hill, Founder and Executive Chair of Aritzia, or Brian Hill and his immediate family (collectively, the "Selling Shareholders"). The 2022 Secondary Offering of 1,500,000 subordinate voting shares raised gross proceeds of $77.4 million for the Selling Shareholders, at a price of $51.60 per subordinate voting share and was completed on November 30, 2022. The Company did not receive any proceeds from the 2022 Secondary Offering. Following the 2022 Secondary Offering, Brian Hill remains the Company's largest shareholder with an approximately 18.5% equity interest.

Conference Call Details

A conference call to discuss the Company's third quarter results is scheduled for Wednesday, January 11, 2023, at 1:30 p.m. PT / 4:30 p.m. ET. To participate, please dial 1-800-319-4610 (North America toll-free) or 1-416-915-3239 (Toronto and overseas long-distance). The call is also accessible via webcast at http://investors.aritzia.com/events-and-presentations/. A recording will be available shortly after the conclusion of the call. To access the replay, please dial 1-855-669-9658 and the access code 9704. An archive of the webcast will be available on Aritzia's website.

About Aritzia

Aritzia is a vertically integrated design house with an innovative global platform, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style that endures and inspires — all with the well-being of our People and Planet in mind. We call this Everyday Luxury.

Founded in 1984, in Vancouver, Canada, we create and curate products that are both beautiful and beautifully made, cultivate aspirational environments, offer engaging service that delights, and connect through captivating communications. We pride ourselves on providing immersive and highly personal shopping experiences at aritzia.com and in our 100+ boutiques throughout North America to everyone, everywhere.

Everyday Luxury. To Elevate Your World.™

Comparable Sales Growth

Comparable sales growth is a retail industry metric used to assess the performance of the Company's business to explain our total combined revenue growth in eCommerce and established boutiques. Due to temporary boutique closures from COVID-19 in fiscal 2022 which resulted in boutiques being removed from our comparable store base, we believe total comparable sales growth was not representative of our business and therefore we have not reported figures on this metric for Q3 2022 or YTD 2022 in this press release.

Non-IFRS Measures and Retail Industry Metrics

This press release makes reference to certain non-IFRS measures and certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", and "Adjusted Net Income"; non-IFRS ratios including "Adjusted Net Income per Diluted Share", "Adjusted EBITDA as a percentage of net revenue", and "Adjusted Net Income as a percentage of net revenue"; and capital management measures including "capital cash expenditures (net of proceeds from lease incentives)" and "free cash flow." This press release also makes reference to "gross profit margin" as well as "comparable sales growth", which are commonly used operating metrics in the retail industry but may be calculated differently by other retailers. Gross profit margin and comparable sales growth are considered supplementary financial measures under applicable securities laws. These non-IFRS measures and retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures and retail industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Certain information about non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures is found in the Q3 2023 MD&A and is incorporated by reference. This information is found in the sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures and Retail Industry Metrics" and "Selected Consolidated Financial Information" of the Q3 2023 MD&A which is available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Reconciliations for each non-IFRS financial measure can be found in this press release under the heading "Selected Consolidated Financial Information".

Forward-Looking Information

Certain statements made in this press release may constitute forward-looking information under applicable securities laws. Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry, in light of its experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. These statements may relate to our future financial outlook, our plans relating to our new distribution facility, investments in our physical and digital infrastructure and the anticipated results therefrom, our expectations with respect to liquidity, our continued focus on driving digital innovation, eCommerce growth and omni-channel capabilities, our expectations with respect to our inventory position and normalized markdowns, our investment in talent and technology, our ability to maintain momentum in our business and advance our strategic growth levers, our approach to boutique growth, the Company’s response to supply chain disruptions, geopolitical risks, inflationary pressures and labour shortages, our outlook for: (i) net revenue in the fourth quarter of fiscal 2023, (ii) net revenue in fiscal 2023, (iii) new boutiques and expansion or repositioning of existing boutiques in fiscal 2023, (iv) gross profit margin in the fourth quarter of fiscal 2023, (v) gross profit margin in fiscal 2023, (vi) SG&A as a percent of net revenue in the fourth quarter of fiscal 2023, (vii) SG&A as a percent of net revenue in fiscal 2023, and (viii) net capital expenditures in fiscal 2023. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or positive or negative variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent our expectations, estimates and projections regarding future events or circumstances.

Implicit in forward-looking statements made in respect of the Company's expectations for: (i) net revenue in the range of $580 million to $600 million for the fourth quarter of fiscal 2023, representing an increase of approximately 31% to 35% from last year, (ii) net revenue in the range of $2.14 billion to $2.16 billion in fiscal 2023, representing an increase of approximately 44% from fiscal 2022, (iii) new boutiques and expansion or repositioning of existing boutiques in fiscal 2023, (iv) gross profit margin in the fourth quarter of fiscal 2023 to decrease by approximately 250 bps compared to the fourth quarter of fiscal 2022, (v) gross profit margin in fiscal 2023 to decrease by approximately 200 bps to 225 bps compared to fiscal 2022, (vi) SG&A as a percent of net revenue in the fourth quarter of fiscal 2023 to be approximately in line with the fourth quarter of fiscal 2022, (vii) SG&A as a percent of net revenue in fiscal 2023 to increase by approximately 125 bps compared to fiscal 2022, and (viii) net capital expenditures in the range of $110 million to $120 million, are certain current assumptions including the continued strength across both its retail and eCommerce channels. The Company’s forward-looking information is also based upon assumptions regarding the overall retail environment, inflationary pressures, the COVID-19 pandemic and related health and safety protocols and currency exchange rates for fiscal 2023. Specifically, we have assumed the following exchange rates for fiscal 2023: USD:CAD = 1:1.35.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the limitations or restrictions that may be placed on servicing our clients in reopened boutiques or potential re-closing of boutiques or the duration of any such limitations or restrictions; (b) the COVID-19-related impacts on Aritzia's business, operations, labour force, supply chain performance and growth strategies; (c) Aritzia's ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) general economic conditions related to COVID-19 and impacts to consumer discretionary spending and shopping habits; (e) credit, market, currency, commodity market, inflation, interest rates, global supply chains, operational, and liquidity risks generally; (f) geopolitical events; and (g) other risks inherent to Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Q3 2023 MD&A, the fiscal 2022 MD&A and the AIF. A copy of the Q3 2023 MD&A, the fiscal 2022 MD&A and the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on SEDAR at www.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in the Q3 2023 MD&A, the fiscal 2022 MD&A and the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention, obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

For more information

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Selected Consolidated Financial Information

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q3 2023 13 Weeks		Q3 2022 13 Weeks		YTD 2023 39 Weeks		YTD 2022 39 Weeks	
Net revenue	$ 624,615	100.0%	$ 453,323	100.0%	$1,558,048	100.0%	$1,050,308	100.0%
Cost of goods sold	353,952	56.7%	243,181	53.6%	886,216	56.9%	574,862	54.7%
Gross profit	270,663	43.3%	210,142	46.4%	671,832	43.1%	475,446	45.3%
Operating expenses								
Selling, general and administrative	163,737	26.2%	110,084	24.3%	431,170	27.7%	272,581	26.0%
Stock-based compensation expense	11,558	1.9%	9,109	2.0%	21,212	1.4%	20,406	1.9%
Income from operations	95,368	15.3%	90,949	20.1%	219,450	14.1%	182,459	17.4%
Finance expense	9,056	1.4%	6,160	1.4%	21,762	1.4%	19,110	1.8%
Other expense (income)	(11,994)	(1.9)%	(6,218)	(1.4)%	(11,968)	(0.8)%	(9,523)	(0.9)%
Income before income taxes	98,306	15.7%	91,007	20.1%	209,656	13.5%	172,872	16.5%
Income tax expense	27,578	4.4%	26,066	5.7%	59,406	3.8%	50,180	4.8%
Net income	$ 70,728	11.3%	$ 64,941	14.3%	$ 150,250	9.6%	$ 122,692	11.7%
Other Performance Measures:								
Year-over-year net revenue growth	37.8%		62.9%		48.3%		78.1%	
Comparable sales growth(4)(5)	22.8%		n/a		26.3%		n/a	
Capital cash expenditures (net of proceeds from lease incentives)(5)	$ (26,362)		$ (20,318)		$ (73,547)		$ (36,173)	
Free cash flow(5)	$ 68,297		$ 169,704		$ (70,463)		$ 258,984	
Number of boutiques, end of period	113		105		113		105	

Note:

(4) Please see the “Comparable Sales Growth” section above for more details.

(5) Please see the "Non-IFRS Measures including Retail Industry Metrics" section above for more details.

NET REVENUE BY GEOGRAPHIC LOCATION

(in thousands of Canadian dollars)	Q3 2023 13 Weeks	Q3 2022 13 Weeks	YTD 2023 39 Weeks	YTD 2022 39 Weeks
Canada net revenue	$ 311,081	$ 254,595	$ 774,542	$ 590,971
United States net revenue	313,534	198,728	783,506	459,337
Net revenue	$ 624,615	$ 453,323	$ 1,558,048	$ 1,050,308

CONSOLIDATED CASH FLOWS

(in thousands of Canadian dollars)	Q3 2023 13 Weeks	Q3 2022[6] 13 Weeks	YTD 2023 39 Weeks	YTD 2022[6] 39 Weeks
Net cash (used in) generated from operating activities	$ 114,732	$ 207,453	$ 64,729	$ 337,620
Net cash used in financing activities	(14,830)	(12,524)	(107,242)	(103,922)
Cash used in investing activities	(32,401)	(22,336)	(89,973)	(78,842)
Effect of exchange rate changes on cash and cash equivalents	(1,027)	1,543	(861)	1,929
Change in cash and cash equivalents	$ 66,474	$ 174,136	$ (133,347)	$ 156,785

Note:
(6) Certain prior period amounts have been reclassified for consistency with current period presentation. These reclassifications have no effect on the reported results of operations. A reclassification has been made for proceeds from lease incentives from cash generated from operating activities to net cash used in financing activities.

RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME

(in thousands of Canadian dollars, unless otherwise noted)	**Q3 2023 13 Weeks**	**Q3 2022 13 Weeks**	**YTD 2023 39 Weeks**	**YTD 2022 39 Weeks**
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 70,728	$ 64,941	$ 150,250	$ 122,692
Depreciation and amortization	13,434	11,238	38,238	32,459
Depreciation on right-of-use assets	21,204	17,461	57,883	50,465
Finance expense	9,056	6,160	21,762	19,110
Income tax expense	27,578	26,066	59,406	50,180
EBITDA	142,000	125,866	327,539	274,906
Adjustments to EBITDA:				
Stock-based compensation	11,558	9,109	21,212	20,406
Rent impact from IFRS 16, Leases[i]	(28,278)	(22,862)	(76,012)	(67,109)
Unrealized loss (gain) on equity derivatives contracts	(4,793)	(6,950)	(43)	(12,186)
Realized loss (gain) on equity derivatives contracts	(1,387)	—	(1,387)	—
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	—	2,000	—	2,000
Fair value adjustment for inventory acquired in CYC Design Corporation ("CYC")	—	1,902	—	1,902
Acquisition costs of CYC	—	224	—	2,633
Secondary offering transaction costs	518	—	518	530
Adjusted EBITDA	$ 119,618	$ 109,289	$ 271,827	$ 223,082
Adjusted EBITDA as a percentage of net revenue	19.2%	24.1%	17.4%	21.2%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 70,728	$ 64,941	$ 150,250	$ 122,692
Adjustments to net income:				
Stock-based compensation	11,558	9,109	21,212	20,406
Unrealized loss (gain) on equity derivatives contracts	(4,793)	(6,950)	(43)	(12,186)
Realized loss (gain) on equity derivatives contracts	(1,387)	—	(1,387)	—
Fair value adjustment of NCI in exchangeable shares liability	—	2,000	—	2,000
Fair value adjustment for inventory acquired in CYC	—	1,902	—	1,902
Acquisition costs of CYC	—	224	—	2,633
Secondary offering transaction costs	518	—	518	530
Related tax effects	(14)	(27)	(2,450)	(716)
Adjusted Net Income	$ 76,610	$ 71,199	$ 168,100	$ 137,261
Adjusted Net Income as a percentage of net revenue	12.3%	15.7%	10.8%	13.1%
Weighted average number of diluted shares outstanding (thousands)	115,154	116,140	115,252	115,402
Adjusted Net Income per Diluted Share	$ 0.67	$ 0.61	$ 1.46	$ 1.19

Note:

(i) Rent Impact from IFRS 16, Leases

(in thousands of Canadian dollars)	**Q3 2023 13 Weeks**	**Q3 2022 13 Weeks**	**YTD 2023 39 Weeks**	**YTD 2022 39 Weeks**
Depreciation of right-of-use assets, excluding fair value adjustments	$ (21,071)	$ (17,238)	$ (57,484)	$ (50,242)
Interest expense on lease liabilities	(7,207)	(5,624)	(18,528)	(16,867)
Rent impact from IFRS 16, Leases	$ (28,278)	$ (22,862)	$ (76,012)	$ (67,109)

CAPITAL CASH EXPENDITURES (NET OF PROCEEDS FROM LEASE INCENTIVES)

(Unaudited, in thousands of Canadian dollars)	Q3 2023 13 Weeks	Q3 2022 13 Weeks	YTD 2023 39 Weeks	YTD 2022 39 Weeks
Cash used in investing activities	$ (32,401)	$ (22,336)	$ (89,973)	$ (78,842)
Acquisition of CYC, net of cash acquired	—	—	—	32,555
Contingent consideration payout, net relating to the acquisition of CYC	—	—	5,625	—
Proceeds from lease incentives	6,039	2,018	10,801	10,114
Capital cash expenditures (net of proceeds from lease incentives)	$ (26,362)	$ (20,318)	$ (73,547)	$ (36,173)

FREE CASH FLOW

(Unaudited, in thousands of Canadian dollars)	Q3 2023 13 Weeks	Q3 2022(6) 13 Weeks	YTD 2023 39 Weeks	YTD 2022(6) 39 Weeks
Net cash (used in) generated from operating activities	$ 114,732	$ 207,453	$ 64,729	$ 337,620
Interest paid on credit facilities	1,849	525	3,233	1,878
Proceeds from lease incentives	6,039	2,018	10,801	10,114
Repayments of principal on lease liabilities	(21,922)	(17,956)	(64,878)	(44,341)
Purchase of property, equipment and intangible assets	(32,401)	(22,336)	(84,348)	(46,287)
Free cash flow	$ 68,297	$ 169,704	$ (70,463)	$ 258,984

Note:
(6) Certain prior period amounts have been reclassified for consistency with current period presentation. These reclassifications have no effect on the reported results of operations. A reclassification has been made for proceeds from lease incentives from cash generated from operating activities to net cash used in financing activities. This change in classification does not affect previously reported free cash flows.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(interim period unaudited, in thousands of Canadian dollars)	As at November 27, 2022	As at February 27, 2022	As at November 28, 2021
Assets			
Cash and cash equivalents	$ 131,898	$ 265,245	$ 305,932
Accounts receivable	17,710	8,147	10,477
Income taxes recoverable	3,951	6,455	4,372
Inventory	508,392	208,125	176,861
Prepaid expenses and other current assets	42,315	33,564	40,560
Total current assets	704,266	521,536	538,202
Property and equipment	281,260	223,190	215,349
Intangible assets	86,375	87,398	87,831
Goodwill	198,846	198,846	198,322
Right-of-use assets	452,499	362,887	370,784
Other assets	4,595	4,271	4,694
Deferred tax assets	14,798	26,458	18,469
Total assets	$ 1,742,639	$ 1,424,586	$ 1,433,651
Liabilities			
Accounts payable and accrued liabilities	$ 319,364	$ 179,344	$ 216,202
Income taxes payable	129	58,917	41,178
Current portion of contingent consideration	6,619	6,619	6,619
Current portion of lease liabilities	96,505	86,724	87,734
Deferred revenue	92,556	55,721	68,010
Total current liabilities	515,173	387,325	419,743
Lease liabilities	507,454	417,067	427,712
Other non-current liabilities	23,921	22,359	21,892
Contingent consideration	—	6,618	6,618
Non-controlling interest in exchangeable shares liability	35,500	35,500	35,500
Deferred tax liabilities	21,106	24,906	25,096
Total liabilities	1,103,154	893,775	936,561
Shareholders' equity			
Share capital	260,029	251,291	242,327
Contributed surplus	64,936	56,342	57,031
Retained earnings	317,932	223,553	197,908
Accumulated other comprehensive loss	(3,412)	(375)	(176)
Total shareholders' equity	639,485	530,811	497,090
Total liabilities and shareholders' equity	$ 1,742,639	$ 1,424,586	$ 1,433,651

BOUTIQUE COUNT SUMMARY

	Q3 2023 13 Weeks	Q3 2022 13 Weeks	YTD 2023 39 Weeks	YTD 2022 39 Weeks
Number of boutiques, beginning of period	112	104	106	101
New boutiques	—	1	6	4
Pop-up boutique converted to a permanent boutique	1	—	1	—
Number of boutiques, end of period	113	105	113	105
Boutiques expanded or repositioned	4	4	4	5

Note: CYC had four boutiques as at November 27, 2022 which are excluded from the boutique count.