

## Aritzia Reports Third Quarter Fiscal 2017 Financial Results

Vancouver, January 9, 2017 – Aritzia Inc. (“Aritzia” or the “Company”) (TSX: ATZ), an innovative design house and fashion retailer of exclusive brands, today announced financial results for the third quarter ended November 27, 2016. 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. See “Non-IFRS Measures” below.

### Highlights for the Third Quarter Fiscal 2017:

- Net revenue increased by 20.0% to \$186.5 million from \$155.4 million in the third quarter last year.
- Comparable sales increased 15.2%, following 15.4% comparable sales growth in the third quarter last year.
- Gross profit margin increased by 320 basis points to 44.1% from 40.9% in the third quarter last year.
- Adjusted EBITDA increased by 35.4% to \$45.4 million from \$33.6 million in the third quarter last year. Adjusted EBITDA as a percent of net revenue was 24.4% as compared to 21.6% in the same quarter last year.
- During the quarter, a modification to the accounting treatment of the Company’s legacy option plan resulted in a non-cash reversal of a \$28.3 million deferred income tax asset to income tax expense. This primarily led to a net loss of \$8.1 million, or (\$0.08) per share (on a basic and diluted basis) as compared to net income of \$15.6 million, or \$0.15 per share (on a basic and diluted basis), in the third quarter last year.
- Adjusted Net Income increased by 44.7% to \$27.5 million, or \$0.23 per diluted share (treasury stock method<sup>1</sup>), as compared to Adjusted Net Income of \$19.0 million, or \$0.16 per diluted share (treasury stock method<sup>2</sup>), in the third quarter last year.
- During the quarter, the Company opened two new stores, and repositioned and expanded two existing stores.

Brian Hill, Aritzia’s Founder, Chairman and Chief Executive Officer, commented, “We are pleased to have delivered strong financial results for the third quarter, demonstrating the effectiveness of our business model and strategic initiatives. In addition to delivering another quarter of double-digit comparable sales growth, we continued to make progress on our growth plans, including the expansion of our North American store footprint, and increased penetration of our eCommerce business. We remain committed to providing customers with beautifully designed product, an aspirational shopping experience and exceptional service, underpinned by operational excellence.”

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<sup>1</sup> Adjusted Net Income per diluted share for the third quarter of fiscal 2017 is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at November 27, 2016 (or 117,869,746 diluted shares).

<sup>2</sup> The Company effected changes to its share capital in connection with the IPO completed in the third quarter of fiscal 2017. For comparative purposes, Adjusted Net Income per diluted share for the third quarter of fiscal 2016 is based on the same diluted share count as Adjusted Net Income per diluted share for the third quarter of fiscal 2017.

### **Third Quarter Summary**

*All comparative figures below are for the 13-week period ended November 27, 2016, compared to the 13-week period ended November 29, 2015.*

Net revenue increased by 20.0% to \$186.5 million from \$155.4 million in the prior year. The increase was primarily driven by comparable sales growth of 15.2%, with strong in-store performance and continued momentum in the Company's eCommerce business, as well as the revenue from five new store openings and five expanded or repositioned stores since the third quarter of last year.

Gross profit increased by 29.6% to \$82.3 million, or 44.1% of net revenue, compared to \$63.5 million, or 40.9% of net revenue, in the prior year. The 320 basis point increase in gross profit margin was primarily due to lower product-related costs in addition to leverage on store occupancy costs.

Selling, general and administrative ("SG&A") expenses increased by 37.4% to \$48.5 million, compared to \$35.3 million in the prior year. Excluding the impact of initial public offering ("IPO") related costs of approximately \$3.1 million incurred during the quarter, SG&A expenses were 24.3% of net revenue, compared to 22.7% of net revenue in the prior year. This increase in SG&A was primarily due to higher store labour costs as we focus on elevating our retail experience, as well as, continued investment in support office talent and marketing.

Adjusted EBITDA increased by 35.4% to \$45.4 million, or 24.4% of net revenue, compared to \$33.6 million, or 21.6% of net revenue, in the prior year. Adjusted EBITDA in the quarter excludes stock-based compensation expense of \$4.0 million, IPO-related costs of \$3.1 million and unrealized foreign exchange gains on U.S. dollar forward contracts of \$1.1 million. Adjusted EBITDA for the third quarter in the prior year excludes stock-based compensation of \$4.2 million and unrealized foreign exchange losses on U.S. dollar forward contracts of \$0.4 million.

Total stock-based compensation expense of \$4.0 million recorded in the quarter reflects \$2.7 million in costs related to the accounting of the Company's legacy option plan and \$1.3 million in costs related to both the Company's new option plan and director deferred share unit program. Prior to the IPO, the Company accounted for the time-based options under the legacy option plan as a stock-based compensation liability due to the cash settlement feature. As of September 30, 2016, the Company amended the legacy option plan to remove this cash settlement feature and accordingly, accounted for the time-based options as an equity-settled plan from this date forward. As such, the liability relating to this plan was reclassified to contributed surplus and the corresponding deferred income tax asset of \$28.3 million was reversed to income tax expense. This non-cash reversal primarily led to a total income tax expense of \$36.5 million in the third quarter of fiscal 2017.

The reversal of the deferred income tax asset to income tax expense primarily contributed to a net loss of \$8.1 million in the quarter, compared to net income of \$15.6 million in the third quarter of last year. Excluding the impact of stock-based compensation and the aforementioned income tax expense resulting from the reversal of the deferred income tax asset, IPO-related costs, unrealized foreign exchange gains on U.S. dollar forward contracts and \$2.9 million in debt refinancing costs related to the IPO, net of related tax effects, Adjusted Net Income increased by 44.7% to \$27.5 million, compared to Adjusted Net Income of \$19.0 million in the third quarter of last year.

### **Year-to-Date Summary**

*All comparative figures below are for the 39-week period ended November 27, 2016, compared to the 39-week period ended November 29, 2015.*

Net revenue increased by 25.5% to \$470.8 million from \$375.1 million in the prior year. The increase was primarily driven by comparable sales growth of 15.1%, arising from both the strong in-store performance and continued momentum in the Company's eCommerce business, as well as the revenue from non-comparable stores.

Gross profit increased by 34.4% to \$190.2 million, or 40.4% of net revenue, compared to \$141.4 million, or 37.7% of net revenue, in the prior year. The 270 basis point increase in gross profit margin was primarily due to lower product-related costs in addition to leverage on store occupancy costs.

SG&A expenses increased by 34.5% to \$129.3 million, compared to \$96.1 million in the prior year. Excluding the impact of the IPO-related costs of approximately \$7.7 million incurred year-to-date, SG&A expenses were 25.8% of net revenue, compared to 25.6% of net revenue in the prior year.

Adjusted EBITDA increased by 38.3% to \$85.4 million, or 18.1% of net revenue, as compared to \$61.7 million, or 16.5% of net revenue, in the prior year. Stock-based compensation of \$98.6 million was expensed due to both legacy time-based options adjusted to fair market value up to September 30, 2016 and the triggering of legacy performance-based options of \$97.3 million in connection with the Company's IPO. Stock-based compensation of \$8.6 million was expensed in the prior year due solely to the legacy time-based options. The stock-based compensation expense primarily contributed to a net loss of \$67.6 million, compared to net income of \$22.4 million in the prior year.

Excluding the impact of stock-based compensation and the aforementioned income tax expense resulting from the reversal of the deferred income tax asset, IPO-related costs, unrealized foreign exchange (gains) losses on U.S. dollar forward contracts and \$2.9 million in debt refinancing costs related to the IPO, net of related tax effects, Adjusted Net Income increased by 62.5% to \$46.3 million, compared to \$28.5 million in the prior year.

### **Recent Developments**

The Company had a strong holiday period starting with a successful Black Friday promotion at the end of the third quarter of fiscal 2017. This year represented the Company's fourth and strongest Black Friday sales week, both in stores and online. The Company's fourth quarter is off to a strong start, with December comparable sales growth up 12.9% for the 5-week period ended January 1, 2017. See "Presentation of Financial Information" and "Forward-Looking Information" below.

### **Outlook**

The Company is looking forward to the opening of its flagship locations in Los Angeles, Chicago and San Francisco in fiscal 2018. In addition, the Company plans to open three new stores and expand or reposition six existing locations in fiscal 2018. This keeps the Company on track to open its planned minimum 25 to 30 new locations in North America, and expand or reposition a minimum of 20 to 25 existing stores between fiscal 2017 and to the end of fiscal 2021. See "Forward-Looking Information" below.

### **Consolidated Financial Statements and Management's Discussion and Analysis**

The Company's unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 27, 2016 and Management's Discussion and Analysis ("MD&A") thereon are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on Aritzia's investor relations website at [investors.aritzia.com](http://investors.aritzia.com).

### **Presentation of Financial Information**

All figures indicated above with respect to the 5-week period ended January 1, 2017 are preliminary, have not been reviewed by the Company's auditors and are subject to change as the Company's financial results are finalized. The preliminary results and information (including with respect to comparable sales growth) constitute forward-looking information within the meaning of applicable securities laws, are based on a number of assumptions and are subject to a number of risks and uncertainties. See "Forward-Looking Information" below.

## **Conference Call**

A conference call to discuss third quarter results is scheduled for Monday, January 9, 2017, at 1:30 p.m. PT / 4:30 p.m. ET. A replay will be available shortly after the conclusion of the call and will remain available until January 23, 2017. To access the replay, please dial 1-855-669-9658 and use replay access code 1045. A webcast will be available after the call and will remain on Aritzia's investor relations website at [investors.aritzia.com](http://investors.aritzia.com) for thirty days.

## **About Aritzia**

Aritzia is an innovative design house and fashion retailer of exclusive brands. The Company designs apparel and accessories for its collection of exclusive brands and sells them under the Aritzia banner. The Company's expansive and diverse range of women's fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements. The Company is well known and deeply loved by its customers in Canada with growing customer awareness and affinity in the United States and outside of North America. The Company aims to delight its customers through an aspirational shopping experience and exceptional customer service that extends across its more than 75 retail stores and its eCommerce business, *aritzia.com*.

## **Non-IFRS Measures including Retail Industry Metrics**

This press release makes reference to certain non-IFRS measures including 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 measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share", and "gross profit margin". This press release also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including 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 including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including 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. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A.

## **Forward-Looking Information**

Certain information contained in this press release may constitute forward-looking information under applicable securities laws, including statements related to the Company's continued progress on its growth and strategic initiatives, including the expansion of its North American store footprint and increased penetration of its eCommerce business (see "Outlook" above), the Company's preliminary results for the 5-week period ended January 1, 2017 (see "Recent Developments" above), and the Company's commitment to deliver beautifully designed product, an aspirational shopping experience and exceptional customer service, all driven by operational excellence. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and are made as of the date of this press release. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors" which are described in the Company's final prospectus filed in connection with its initial public offering on September 26, 2016 (the "Prospectus").

The Company cautions that the list of risk factors and uncertainties 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. See “About this Prospectus – Forward-looking Information” and “Risk Factors” in the Prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.

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