ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 25, 2018

May 10, 2018

The following Management's Discussion and Analysis ("MD&A") dated May 10, 2018 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the fourth quarter and the fiscal year ended February 25, 2018. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2018 (as hereinafter defined).

Basis of Presentation

Our audited annual consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated. We manage our business on the basis of one operating and reportable segment.

All references in this MD&A to "Q4 2018" are to our 13-week period ended February 25, 2018, and to "Q4 2017" are to our 13-week period ended February 26, 2017. All references in this MD&A to "Fiscal 2018" are to our 52-week period ended February 25, 2018, to "Fiscal 2017" are to our 52-week period ended February 26, 2017 and to "Fiscal 2016" are to our 52-week period ended February 28, 2016. In addition, references to "Q1 2018" are to our 13-week period ended May 28, 2017, to "Q2 2018" are to our 13-week period ended August 27, 2017, and to "Q3 2018" are to our 13-week period ended November 26, 2017.

The audited annual consolidated financial statements and accompanying notes for Fiscal 2018 and this MD&A were authorized by the Company's Board of Directors.

Non-IFRS Measures Including Retail Industry Metrics

This MD&A 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 or 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 MD&A 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. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. 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. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook and anticipated events or results and include, but are not limited to, expectations regarding positive comparable sales growth for the first quarter of 2019, expectations regarding the quality of our products and our channel-agnostic customer experience, expectations regarding our technology and infrastructure, statements related to the Company's normal course issuer bid, outlook for revenue growth and Adjusted EBITDA margin in fiscal 2019 as further described below, the expansion and repositioning of our store locations, the launch of our own denim brand in Fall/Winter 2018, expectations regarding the Company meeting or exceeding its stated fiscal 2021 performance targets, and other statements that are not historical facts. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. See also the "Outlook" section of this MD&A.

Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may" "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are current as of the date of this MD&A and are based on applicable estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. 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. There can be no assurance that such estimates and assumptions will prove to be correct.

Implicit in forward-looking statements in respect of the Company's expectations for fiscal 2019 to deliver low to mid-teens revenue growth and consistent Adjusted EBITDA margin, as compared to fiscal 2018, are certain current assumptions, including, among others, the opening of five to six new stores including the Babaton store in Square One Shopping Centre in Toronto, and the Aritzia store in Cross Iron Mills in Calgary, the expansion or repositioning of four to five stores, the continued ability to drive growth in our eCommerce business, gross profit margin benefit from sourcing initiatives will be offset by the higher raw material costs for the Fall/Winter season, SG&A will grow proportionately with revenue growth in fiscal 2019, the continued investments in people, technology and infrastructure, primarily related to eCommerce, net capital expenditures in the range of $55 million to $60 million with approximately 50% for store network expansion, taxation rates consistent with historical levels, assumptions regarding the overall retail environment and currency exchange rates for fiscal 2019. Specifically, we have assumed the following exchange rates for fiscal 2019: USD:CAD = 1:1.30.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the expansion and enhancement of our store network; the growth of our eCommerce business; our ability to drive comparable sales growth; our ability to maintain, enhance, and grow our appeal within our addressable market; our ability to drive ongoing development and innovation of our exclusive brands and product categories; our ability to continue directly sourcing from third party mills, trim suppliers and manufacturers for our exclusive brands; our ability to build our international presence; our ability to retain key personnel; our ability to maintain and expand distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain

existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

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 this MD&A and in the Company's annual information form dated May 10, 2018 for the fiscal year ended February 25, 2018 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. These factors are not intended to represent a complete list of the factors that could adversely affect the Company's 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. These factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Overview

Aritzia is a vertically integrated, innovative design house of exclusive fashion brands. We design apparel and accessories for our collection of exclusive brands and sell them under the Aritzia banner. We conceive, create, develop and sell a strategic mix of women's fashion products directly to our customers with a depth of design and quality that provides compelling value. Our unique multi-brand portfolio and product mix affords us enhanced flexibility to address evolving fashion trends and enables us to appeal to our customers across multiple life stages, resulting in strong and enduring customer loyalty.

We connect our customers to the energy of our culture through the products we sell, the environments we create and the ways in which we communicate. We currently operate 65 stores in Canada and 22 stores in the United States, averaging approximately 6,000 square feet, all of which are in prime locations within high performing retail malls and high streets. We sell our products exclusively through our stores and *aritzia.com*, giving us complete control of the presentation of our brand and the relationships with our customers. This strategy allows us to present our brand in a consistent manner, including pricing, marketing and product presentation. We strive to offer our customers an aspirational shopping experience and exceptional level of service at every interaction. Our culture is highly focused on the customer, and our sales associates and eCommerce support teams are trained to provide shopping experiences that are personalized to exceed our customers' wants and needs.

Initial Public Offering

On October 3, 2016, we successfully closed our initial public offering (the "IPO") of our subordinate voting shares (the "Shares") at a price of $16.00 per Share through a secondary sale of shares by our principal shareholders. Our principal shareholders sold 25,000,000 Shares under the IPO for total gross proceeds of $400.0 million. The Shares are listed for trading on the Toronto Stock Exchange under the symbol "ATZ".

The underwriters were granted an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 3,750,000 Shares from our principal shareholders at a price of $16.00 per Share. The Over-Allotment Option was fully exercised after the IPO and raised additional gross proceeds of $60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders and other expenses related to the IPO of approximately $7.7 million were incurred and are being paid by us.

In connection with and immediately prior to the IPO, each Class A and Class C common share was exchanged for either one multiple voting share or one Share. Our Class B and Class D common shares and preferred shares were removed from our authorized share capital. Our authorized share capital consists of (i) an unlimited number of Shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series.

Following the foregoing share exchanges, all of our issued and outstanding multiple voting shares and Shares were consolidated on an approximately one-to-0.5932 basis. In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on an approximately one-to-0.5932 basis for options exercisable to acquire Shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Concurrent with the IPO, amendments to our credit facilities with our syndicate of lenders became effective. See the section entitled "Liquidity and Capital Resources – Credit Facilities".

Secondary Offering

On January 26, 2017, we successfully closed a secondary offering (the "Secondary Offering") of our Shares by certain of our shareholders at a price of $17.45 per Share, as well as a concurrent block trade by a group of our employees (the "Concurrent Block Trade"). Our shareholders sold 20,100,000 Shares under the Secondary Offering and our employees sold 1,788,366 Shares under the Concurrent Block Trade for total gross proceeds of $382.0 million. Underwriting fees were paid by the selling shareholders and other expenses related to the Secondary Offering of approximately $0.8 million were incurred and paid by us.

Financial Highlights

We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items discussed below and, when applicable, to the section entitled "Selected Consolidated Financial Information" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Q4 2018 Compared to Q4 2017

Select financial highlights include the following:

- Net revenue increased by 11.9% to $219.8 million from $196.4 million in Q4 2017. The weakening of the U.S. dollar year-over-year in the quarter negatively impacted net revenue growth by approximately 130 basis points, or $2.8 million.
- Comparable sales growth[(1)] was 6.0%, following 12.3% comparable sales growth in Q4 2017.
- Gross profit margin was 37.9% in Q4 2018, compared to 38.4% in Q4 2017. This decrease was due primarily to higher occupancy costs.
- SG&A expenses increased by 2.6% to $50.7 million from $49.5 million in Q4 2017. Excluding the impact of Secondary Offering costs of approximately $0.9 million incurred in Q4 2017, SG&A expenses increased by 4.4%, but decreased as a percentage of net revenue to 23.1% compared to a normalized 24.7% in Q4 2017.

Notes:

(1) Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation (see "Summary of Consolidated Quarterly Results and Certain Performance Measures").

- Other income, net was $0.3 million in Q4 2018, compared to other expense, net of $1.6 million in Q4 2017.

- Adjusted EBITDA increased by 18.0% to $38.1 million from $32.3 million in Q4 2017. Adjusted EBITDA was 17.3% of net revenue, compared to 16.4% of net revenue in Q4 2017.

- Stock-based compensation of $5.6 million was expensed in Q4 2018, compared to $4.4 million expensed in Q4 2017.

- Income tax expense of $10.0 million was expensed in Q4 2018, compared to $7.0 million expensed in Q4 2017. Included in the Q4 2018 income tax expense is a $1.5 million charge relating to the U.S. Tax Cuts and Jobs Act ("U.S. tax reform").

- Net income increased by 37.9% to $15.9 million from $11.5 million in Q4 2017.

- Adjusted Net Income increased by 23.0% to $22.5 million, or $0.19 per diluted share (treasury stock method[(2)]), from $18.3 million or $0.16 per diluted share (treasury stock method[(3)]) in Q4 2017.

- We opened one new store (South Coast Plaza in Southern California) and expanded or relocated two stores (Westfield Center in San Francisco and Kingsway Mall in Edmonton) during Q4 2018.

Fiscal 2018 Compared to Fiscal 2017

Select financial highlights include the following:

- Net revenue increased by 11.4% to $743.3 million from $667.2 million in Fiscal 2017.

- Comparable sales growth[(1)] was 6.6%, following 14.1% comparable sales growth in Fiscal 2017.

- Gross profit margin remained flat at 39.8% compared to Fiscal 2017.

- SG&A expenses increased by 2.8% to $183.9 million from $178.8 million in Fiscal 2017. Excluding the impact of IPO and Secondary Offering costs of approximately $8.6 million incurred in Fiscal 2017, SG&A expenses increased by 8.0%, but decreased as a percentage of net revenue to 24.7% compared to a normalized 25.5% in Fiscal 2017.

- Other expense, net was $1.9 million in Fiscal 2018, compared to other income, net of $1.4 million in Fiscal 2017.

- Adjusted EBITDA increased by 12.8% to $132.7 million from $117.7 million in Fiscal 2017. Adjusted EBITDA was 17.9% of net revenue, compared to 17.6% of net revenue in Fiscal 2017.

---

(2) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and 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 February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(3) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and 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 February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

- Stock-based compensation expense was $17.2 million in Fiscal 2018, compared to $103.0 million expensed in Fiscal 2017. In Fiscal 2017, stock-based compensation expense included the fair value accounting of our legacy time-based options and the triggering of our legacy performance-based options in connection with the IPO.

- Net income was $57.1 million in Fiscal 2018, compared to a net loss of $56.1 million in Fiscal 2017 primarily due to the aforementioned stock-based compensation expense in Fiscal 2017.

- Adjusted Net Income increased by 17.5% to $75.9 million, or $0.65 per diluted share (treasury stock method[(2)]), from $64.6 million, or $0.55 per diluted share (treasury stock method[(3)]) in Fiscal 2017.

- We opened six new stores and expanded or relocated seven stores during Fiscal 2018. At the end of Fiscal 2018, we had 63 stores in Canada and 22 stores in the United States.

Subsequent Event

On May 10, 2018, we announced a normal course issuer bid, under which we are authorized to purchase up to 5,429,658 of our Shares, representing approximately 10% of the public float, during the twelve month period commencing May 15, 2018 and ending May 14, 2019. Any Shares purchased under the normal course issuer bid will be cancelled.

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below. See also the "Risk Factors" section of this MD&A and in our AIF.

Our Brand

Aritzia is a growing, vertically integrated, innovative design house and fashion brand that creates and develops fashion apparel. We have become a well known and deeply loved brand by our customers in Canada with growing customer awareness and affinity in the United States and outside of North America. Maintaining, enhancing and growing our brand appeal within our addressable market is critical to our continued success. Any loss of brand appeal may adversely affect our business and financial results.

Product Innovation and Merchandise Planning Strategy

We believe that our differentiated multi-brand strategy is a key driver of our continued year-over-year net revenue growth and comparable sales growth. Each of our exclusive brands is treated as an independent label with its own vision and aesthetic point of view, and is supported by our own dedicated in-house design team focused on creating beautiful products. A highlight of our Spring 2018 collection included our recently launched leather program. We are excited to launch our own denim brand in Fall/Winter 2018 to capitalize on the strong fashion trends in this category. Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined over many years, and are designed to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place.

Store Network Expansion and Enhancement

We have a meaningful opportunity to continue to grow our store network across North America, particularly in the United States. In addition to opening new Aritzia and exclusive brand stores (e.g. Wilfred, Babaton and TNA), we have generated attractive returns on capital by enhancing elements of our existing stores (including footprint, layout and assortment) through carefully considered store expansions and repositions. As a result of our disciplined real estate selection process and compelling store economics, we have never closed an Aritzia store in our 33-year history.

The following table summarizes the change in our store count for the periods indicated.

	Q4 2018	Q4 2017	Fiscal 2018	Fiscal 2017
Number of stores, beginning of period	84	77	79	74
New stores	1	2	6	5
Number of stores, end of period	85	79	85	79
Stores expanded or repositioned	2	-	7	5

Subsequent to year end, we opened our Babaton Square One store located in Toronto and our CrossIron Mills store located in Calgary. We also are in the process of expanding our Soho store located in New York and repositioning our Southgate store located in Edmonton.

eCommerce Growth

Our eCommerce business was launched in fiscal 2013 and quickly surpassed our growth expectations with continued growth in online traffic during Fiscal 2018.

We believe the following factors will support the net revenue growth of *aritzia.com*:

- *Drive our omni-channel growth and capabilities* – Our customers shop both online and in-stores, and we believe there are synergies between our store network and aritzia.com, with the success of each channel benefiting the other through increased brand awareness and affinity. The successful implementation of our new point-of-sale system is the foundation for a multi-year strategy that is intended to align our people, processes and systems so our customers can shop and receive our products through any of our channels they choose.

- *Capitalizing on digital marketing channels to acquire new customers* - We are directing resources with a renewed focus on digital marketing, including programs centred on search engine optimization, social and email programs.

- *Increasing the use of data analytics to improve online conversion and customer loyalty through increased personalization* – We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our customers. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and customer loyalty.

- *Enhancing our international eCommerce business* – Our work to enhance our international website, together with our ability to ship to international markets via aritzia.com is setting the foundation for future expansion by gaining brand awareness, gathering intelligence, and identifying international markets to expand our store network.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands, which provide us with the flexibility to source high quality materials and products at competitive costs. We source the majority of our raw materials directly from suppliers and manufacturers, which we believe to be best-in-class, located primarily in Asia and Europe that uphold our standards for quality, lead time and cost. By partnering closely with long-standing manufacturers as well as adding new innovative and scalable manufacturers, we have been able to drive lower product costs. We also maintain a formalized quality assurance program whereby we inspect our manufacturers' factories to ensure quality control. We engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards

Infrastructure Investments

We continue to strategically invest ahead of our growth plans. At the end of Fiscal 2017, we implemented a set of enhancements to our new human resource information system, which included the implementation of employee self-service, and time and absence management. Since then we launched additional capabilities of this system to better enable strategic human capital decisions.

In October 2017, we successfully completed the implementation of our new point-of-sale (POS) system in all of our Canadian stores and our customer care centre following the POS system implementation in our US stores in September 2017. The new POS system provides us with a robust platform on which to build and evolve the services and experience we offer to our customers. It has provided us with world class infrastructure, labour efficiencies, greater access to more reliable data and specifically, a foundation to evolve our omni-channel and clienteling capabilities. The new POS system provides near real-time visibility to inventory and sales data. This has already allowed us to respond more nimbly in managing our inventory to maximize sales, as well as begin providing true omni-channel capabilities to give customers even more flexibility in how they shop and receive Aritzia products.

In April 2017, we expanded our Columbus area distribution centre capacity from 45,000 square feet to 138,000 square feet. We also began the process of relocating and expanding our Greater Vancouver distribution centre, from our existing 83,000 square foot facility into a new 223,000 square foot flagship facility. We believe the new flagship distribution centre is on track to be operational by the Fall of 2018 which will provide increased efficiencies and help us to advance omni-channel efforts.

We are also working to drive our digital strategy, which is creating additional opportunities throughout the organization as we use digital tools to heighten our customers' overall experience with the brand. Our focus on building our digital infrastructure impacts everything we do. In our view, digital is about more than just our technology and eCommerce business, it runs through the business all the way from design to the service we deliver in stores.

We also continue to expand our talent pool across the organization. We're continuing to find exceptional talent at all levels to facilitate our expected future growth. In the third quarter, we added key executives in People, Marketing, and eCommerce, as well as senior level talent in product and distribution.

These investments in systems and infrastructure are expected to drive increased efficiencies and enable our growth for the long term.

Consumer Trends

The women's apparel industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. Our differentiated multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in consumer demand and fashion preferences, which has been a critical driver of the consistency of our growth. Our diversified mix of exclusive brands satisfies a broad range of fashion needs, which allows us to attract a wide customer base and increases our addressable market. Our revenue is also impacted by discretionary spending by consumers, which is affected by many factors that are beyond our control, including, but not limited to, general economic conditions, consumer disposable income levels, consumer confidence levels, consumer debt, the cost of basic necessities and other goods and the effects of weather or natural disasters. We believe that our track record demonstrates the success of our exclusive brand strategy at responding to changes in fashion demands through all stages of economic cycles.

Seasonality

Our business is seasonal, with a higher proportion of net revenue and operating cash flows generated during the second half of the fiscal year, which includes the back-to-school and holiday seasons. We also have higher working capital requirements in the periods preceding the launch of new seasons as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our Revolving Credit Facility (defined herein).

Average quarterly share of annual net revenue over the last three completed fiscal years is as follows:

First fiscal quarter	19%
Second fiscal quarter	23%
Third fiscal quarter	28%
Fourth fiscal quarter	30%
Yearly total	100%

Weather

Extreme weather conditions in the areas in which our stores are located could adversely affect our business and financial results. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our revenue and profitability. This is potentially mitigated by our customers' ability to buy our products through *aritzia.com*. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect sales of these seasonal items.

Competition

We operate in the women's apparel industry, primarily within the North American market. We are strategically positioned in a customer market segment of the global fashion landscape between fast fashion and affordable luxury. We compete on the basis of several factors that include our strategic mix of exclusive brands, offering high quality products at an attainable price point, our proven and sophisticated merchandise planning strategy, our focus on providing exceptional customer service, our premier real estate portfolio and our market positioning. We believe the industry is evolving to benefit players like us that have the scale needed to leverage their infrastructure and capabilities in areas such as brand equity creation, real estate selection, store design, supply chain and eCommerce.

Foreign Exchange

The majority of our net revenue is derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars. Fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross profit margins and operating results. We use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategies will prove to be successful. See "Financial Instruments" and "Risk Factors" sections of this MD&A.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net Revenue

Net revenue primarily reflects our sale of merchandise, less returns and discounts. Retail revenue is recognized when the customer receives and pays for the merchandise at the point of sale, net of an estimated allowance for returns. For merchandise that is ordered and paid in a store and subsequently picked up by the customer, revenue is deferred until the customer receives the merchandise. eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns. Revenues are reported net of sales taxes collected from various governmental agencies.

Comparable Sales Growth

Comparable sales growth is a retail industry metric used to compare the percentage change in sales derived from the established stores of a certain period as compared to the sales from the same stores in the same period in the prior year. Comparable sales growth helps to explain our revenue growth in established stores and eCommerce, which may not otherwise be apparent when relying solely on net revenues. Comparable sales is calculated based on revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts), and excludes stores that were expanded or repositioned, stores in centres where we opened a new additional store and stores significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation (see "Summary of Consolidated Quarterly Results and Certain Performance Measures"). Our comparable sales growth may be calculated differently compared to other retailers.

Gross Profit

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for our stores and distribution centres. Our cost of goods sold may include different costs compared to other retailers. Gross profit as a percentage of net revenue (gross profit margin) is impacted by the components of cost of goods sold, product mix and markdowns. We define gross profit margin as our gross profit divided by our net revenues.

Selling, General and Administrative ("SG&A") Expenses

Our SG&A expenses consist of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets. We expect our SG&A expenses to increase as we continue to open new stores, grow our eCommerce business, increase brand awareness and invest in our infrastructure and people.

SG&A expenses as a percentage of net revenue is usually higher in the lower-volume first and second quarters, and lower in the higher-volume third and fourth quarters because a portion of these costs are relatively fixed. Our SG&A expenses may include different expenses compared to other retailers.

EBITDA

We define EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure of operating performance, as it provides a more relevant picture of operating results in that it excludes the effects of financing and investing activities by removing the effects of interest, depreciation and amortization, expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance. Because Adjusted EBITDA excludes certain non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges.

Adjusted Net Income (per diluted share)

We believe Adjusted Net Income (per diluted share) is a useful measure of performance, as it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted Net Income as consolidated net income (loss), adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. We define Adjusted Net Income per diluted share 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 the end of the relevant period.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods and fiscal years indicated. The selected consolidated financial information set out below for Fiscal 2018, Fiscal 2017 and Fiscal 2016 has been derived from our audited annual consolidated financial statements and related notes. The selected consolidated financial information set out below for Q4 2018 and Q4 2017 is unaudited.

	Q4 2018 13 weeks		Q4 2017 13 weeks		Fiscal 2018 52 weeks		Fiscal 2017 52 weeks		Fiscal 2016 52 weeks	
	(in thousands of Canadian dollars, unless otherwise noted)									
Consolidated Statements of Operations:										
Net revenue	$ 219,804	100.0%	$ 196,396	100.0%	$ 743,267	100.0%	$ 667,181	100.0%	$ 542,463	100.0%
Cost of goods sold	136,519	62.1%	121,028	61.6%	447,776	60.2%	401,658	60.2%	344,095	63.4%
Gross profit	83,285	37.9%	75,368	38.4%	295,491	39.8%	265,523	39.8%	198,368	36.6%
Operating expenses										
Selling, general and administrative	50,738	23.1%	49,471	25.2%	183,857	24.7%	178,773	26.8%	135,111	24.9%
Stock-based compensation expense	5,599	2.5%	4,413	2.2%	17,240	2.3%	103,044	15.4%	10,651	2.0%
Income (loss) from operations	26,948	12.3%	21,484	10.9%	94,394	12.7%	(16,294)	(2.4%)	52,606	9.7%
Finance expense	1,318	0.6%	1,339	0.7%	5,221	0.7%	10,455	1.6%	10,995	2.0%
Other (income) expense, net	(291)	(0.1%)	1,589	0.8%	1,890	0.3%	(1,362)	(0.2%)	(3,512)	(0.6%)
Income (loss) before income taxes	25,921	11.8%	18,556	9.4%	87,283	11.7%	(25,387)	(3.8%)	45,123	8.3%
Income tax expense	10,020	4.6%	7,028	3.6%	30,190	4.1%	30,722	4.6%	12,751	2.4%
Net income (loss)	$ 15,901	7.2%	$ 11,528	5.9%	$ 57,093	7.7%	$ (56,109)	(8.4%)	$ 32,372	6.0%
Other Performance Measures:										
Year-over-year net revenue growth	11.9%		17.4%		11.4%		23.0%		26.9%	
Comparable sales growth	6.0%		12.3%		6.6%		14.1%		16.8%	
Capital expenditures (excluding proceeds from leasehold inducements)	$ 18,784		$ 11,610		$ 66,330		$ 31,136		$ 28,183	
Number of stores, end of period	85		79		85		79		74	
New stores added	1		2		6		5		10	
Stores expanded or repositioned	2		-		7		5		2	

The following table provides a reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted Net Income, Adjusted Net Income per Diluted share and Comparable Sales to Net Revenue for the periods indicated.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
	(in thousands of Canadian dollars unless otherwise noted)				
Reconciliation of Net Income (Loss) to Adjusted EBITDA:					
Net income (loss)	$ 15,901	$ 11,528	$ 57,093	$ (56,109)	$ 32,372
Depreciation and amortization	5,961	5,362	22,844	21,129	18,200
Finance expense	1,318	1,339	5,221	10,455	10,995
Income tax expense	10,020	7,028	30,190	30,722	12,751
EBITDA	33,200	25,257	115,348	6,197	74,318
Adjustments to EBITDA:					
Stock-based compensation expense	5,599	4,413	17,240	103,044	10,651
Unrealized foreign exchange (gain) loss on forward contracts	(698)	1,730	(233)	(181)	-
IPO and Secondary Offering costs	-	881	(115)	8,604	-
Other non-recurring items[1]	-	-	476	-	-
Adjusted EBITDA	$ 38,101	$ 32,281	$ 132,716	$ 117,664	$ 84,969
Adjusted EBITDA as a Percentage of Net Revenue	17.3%	16.4%	17.9%	17.6%	15.7%
Reconciliation of Net Income (Loss) to Adjusted Net Income:					
Net income (loss)	$ 15,901	$ 11,528	$ 57,093	$ (56,109)	$ 32,372
Adjustments to net income (loss):					
Stock-based compensation expense	5,599	4,413	17,240	103,044	10,651
Unrealized foreign exchange (gain) loss on forward contracts	(698)	1,730	(233)	(181)	-
IPO and Secondary Offering costs	-	881	(115)	8,604	-
Refinancing costs related to debt modification at the IPO	-	-	-	2,867	-
Other non-recurring items[1]	-	-	476	-	-
U.S. tax reform impact[2]	1,503	-	1,503	-	-
Related tax effects	184	(268)	(30)	6,402	(2,741)
Adjusted Net Income	$ 22,489	$ 18,284	$ 75,934	$ 64,627	$ 40,282
Adjusted Net Income as a Percentage of Net Revenue	10.2%	9.3%	10.2%	9.7%	7.4%
Adjusted Net Income per Diluted Share [3][4]	$ 0.19	$ 0.16	$ 0.65	$ 0.55	$ 0.34

Notes:

(1) Other non-recurring items include separation costs related to a senior Company executive departure.

(2) On December 22, 2017, the US Tax Cuts and Jobs Act ("U.S. tax reform") was enacted, reducing the United States federal corporate income tax rate from 35% to 21%. As a result, our US deferred income tax asset was remeasured at the reduced rate, resulting in a nonrecurring charge of $1.5 million to deferred income tax expense.

(3) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and 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 February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(4) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and 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 February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
			(in thousands of Canadian dollars)		
Reconciliation of Comparable Sales to Net Revenue:					
Comparable sales[5]	$ 160,897	$ 141,881	$ 540,915	$ 478,517	$ 418,626
Non-comparable sales	58,907	54,515	202,352	188,664	123,837
Net revenue	$ 219,804	$ 196,396	$ 743,267	$ 667,181	$ 542,463

Note:

(5) The comparable sales for a given period represents revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts) within that given period. This information is provided to give context for comparable sales in such given period as compared to net revenue reported in our financial statements. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. See relevant definition in "How We Assess the Performance of Our Business" of this MD&A.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
Reconciliation of Diluted Shares (for purposes of Adjusted Net Income per diluted share) to Shares Outstanding:				
Weighted average number of basic shares outstanding	111,562,636	107,612,377	110,180,126	104,787,171
Adjustment to account for difference in weighted average number of shares outstanding and actual number of shares outstanding	468,707	1,160,084	1,851,217	3,985,290
Total number of shares outstanding	112,031,343	108,772,461	112,031,343	108,772,461
Dilutive share options under the treasury stock method	5,221,190	8,636,384	5,221,190	8,636,384
Total number of diluted shares for purposes of Adjusted Net Income per diluted share[6][7]	117,252,533	117,408,845	117,252,533	117,408,845

Notes:

(6) Total number of diluted shares for purposes of calculating Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and is calculated by dividing taking 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 February 25, 2018 (or 117,252,533 diluted shares).

(7) Total number of diluted shares for purposes of calculating Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and is calculated by dividing taking 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 February 26, 2017 (or 117,408,845 diluted shares).

The following table provides selected financial position data for the periods indicated.

	As at February 25, 2018	As at February 26, 2017
Selected Consolidated Financial Position Data:		
Total assets	$ 567,678	$ 486,845
Total non-current liabilities	176,948	183,728

Results of Operations

Analysis of Results for Q4 2018 to Q4 2017

The following section provides an overview of our financial performance during Q4 2018 compared to Q4 2017.

Net Revenue

Net revenue increased by 11.9% to $219.8 million in Q4 2018, compared to $196.4 million in Q4 2017. The net revenue increase was primarily driven by the addition of six new store openings and seven expanded or repositioned stores since the fourth quarter of Fiscal 2017, as well as comparable sales growth of 6.0%, delivering our 14th consecutive quarter of positive comparable sales growth, resulting from continued momentum in our eCommerce business. The weakening of the U.S. dollar year-over-year in the quarter negatively impacted net revenue growth by approximately 130 basis points, or $2.8 million.

Gross Profit

Gross profit increased by 10.5% to $83.3 million, or 37.9% of net revenue in Q4 2018, compared to $75.4 million, or 38.4% of net revenue in Q4 2017. Our gross profit margin was affected by increased occupancy costs in Q4 2018, including $0.5 million related to our new Vancouver distribution centre under construction. Gross profit margin benefited from the weakening of the U.S. dollar year-over-year and along with continued product cost improvements related to sourcing initiatives, offset by a slightly higher mix of end-of-season sale merchandise compared to last year.

We will continue to incur rent expense for our new distribution centre until its planned opening in the Fall of 2018, which as expected, will temporarily inflate our reported cost of goods sold.

SG&A Expenses

SG&A expenses increased by 2.6% to $50.7 million in Q4 2018, compared to $49.5 million in Q4 2017.

Excluding the impact of Secondary Offering costs of approximately $0.9 million incurred during Q4 2017, SG&A expenses were $48.6 million in Q4 2017. This increase in SG&A expenses was primarily due to variable selling expenses driven by higher sales volume.

SG&A expenses were 23.1% of net revenue in Q4 2018, compared to a normalized 24.7% of net revenue in Q4 2017, after excluding the impact of the aforementioned offering costs. This decrease in SG&A expenses as a percentage of net revenue during the quarter was primarily due to leveraging of selling labor costs and the timing of investments in people and technology.

Other (Income) Expense, net

Other income, net was $0.3 million in Q4 2018, compared to other expense, net of $1.6 million in Q4 2017.

Other income, net of $0.3 million in Q4 2018 primarily relates to:

- unrealized foreign exchange gains on forward contracts of $0.7 million; and
- interest income of $0.3 million, partially offset by
- realized foreign exchange losses on the settlement of forward contracts of $0.7 million.

Other expenses, net of $1.6 million in Q4 2017 primarily relates to:

- unrealized foreign exchange losses on forward contracts of $1.7 million; and
- unrealized and realized operational foreign exchange losses of $0.7 million, partially offset by
- realized foreign exchange gains on the settlement of forward contracts of $0.7 million; and
- interest income of $0.1 million.

Adjusted EBITDA

Adjusted EBITDA increased by 18.0% to $38.1 million, or 17.3% of net revenue in Q4 2018, compared to $32.3 million, or 16.4% of net revenue in Q4 2017, primarily due to the factors discussed above.

Included in Adjusted EBITDA is the aforementioned straight-line rent expense from our new distribution centre under construction of $0.5 million during Q4 2018.

Stock-Based Compensation Expense

Stock-based compensation of $5.6 million was expensed in Q4 2018, compared to $4.4 million in Q4 2017.

Included in Q4 2018 is $1.2 million in expenses related to the accounting for options under our legacy option plan and $4.4 million in expenses primarily related to the accounting for options under our new option plan. Included in the expense for options under our new option plan was $2.3 million recognized from the cancellation of 671,889 time-based options granted to a director and officer. The cancellation of these options results in accelerated vesting in accordance with IFRS 2.

Included in Q4 2017 is $2.3 million in expenses related to the accounting for options under our legacy option plan and $2.1 million in expenses primarily related to the accounting for options under our new option plan.

Finance Expense

Finance expense remained flat at $1.3 million in Q4 2018 and Q4 2017.

Income Tax Expense

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. The statutory income tax rates for Q4 2018 and Q4 2017 were 26.4% and 26.3%, respectively.

Income tax expense was $10.0 million in Q4 2018, compared to $7.0 million in Q4 2017 and the effective tax rates for Q4 2018 and Q4 2017 were 38.7% and 37.9%, respectively. The increase in the income tax expense is due to an increase in net income before taxes, and a remeasurement of deferred tax assets due to the U.S. tax reform resulting in a non-recurring charge of $1.5 million to deferred income tax expense. Similarly, the increase in the effective tax rate when compared to Q4 2017 is also primarily driven by this remeasurement adjustment.

Net Income

Net income was $15.9 million in Q4 2018, compared to net income of $11.5 million in Q4 2017. This increase is primarily the result of an 11.9% increase in net revenue and an increase in other income, net, partially offset by a decrease in gross profit margin, along with an increase in SG&A expenses, stock-based compensation expense and income tax expense.

Adjusted Net Income

Adjusted Net Income increased by 23.0% to $22.5 million, or $0.19 per diluted share (treasury stock method[(4)]) in Q4 2018, compared to $18.3 million, or $0.16 per diluted share (treasury stock method[(5)]) in Q4 2017, primarily due to the factors discussed above. Adjusted net income in Q4 2018 also excludes the impact of a non-recurring charge of $1.5 million to deferred income tax expense from the enactment of the U.S. tax reform.

Included in Adjusted Net Income is the aforementioned straight-line rent expense from our new distribution centre under construction of $0.5 million, net of related tax effects, during Q4 2018.

Analysis of Results for Fiscal 2018 to Fiscal 2017

The following section provides an overview of our financial performance during Fiscal 2018 compared to Fiscal 2017.

Net Revenue

Net revenue increased by 11.4% to $743.3 million in Fiscal 2018 from $667.2 million in Fiscal 2017. The increase was primarily driven by the revenue from new, expanded and repositioned stores and comparable sales growth of 6.6%, resulting from continued momentum in our eCommerce business.

Gross Profit

Gross profit increased by 11.3% to $295.5 million, or 39.8% of net revenue in Fiscal 2018, compared to $265.5 million, or 39.8% of net revenue in Fiscal 2017. The benefit to gross profit margin of product supply chain initiatives and the weakening of the U.S. dollar were offset by increased occupancy costs. The higher occupancy costs were the result of rent expense from the new Vancouver distribution centre and flagship stores under construction of $4.7 million in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million.

We will continue to incur rent expense for our new distribution centre until its planned opening in the Fall of 2018, which as expected, will temporarily inflate our reported cost of goods.

SG&A Expenses

SG&A expenses increased by 2.8% to $183.9 million in Fiscal 2018, compared to $178.8 million in Fiscal 2017.

Excluding the impact of IPO costs and Secondary Offering costs of approximately $8.6 million incurred during Fiscal 2017, SG&A expenses were $170.2 million in Fiscal 2017. The increase in SG&A expenses was primarily due to variable selling expenses driven by higher sales volume.

---

(4) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and 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 February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(5) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and 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 February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

SG&A expenses decreased to 24.7% of net revenue in Fiscal 2018, compared to a normalized 25.5% of net revenue in Fiscal 2017 excluding the impact of the aforementioned offering costs.

Other Expense (Income), net

Other expense, net was $1.9 million in Fiscal 2018, compared to other income, net of $1.4 million in Fiscal 2017.

Other expense, net of $1.9 million in Fiscal 2018 primarily relates to:

- realized foreign exchange losses on the settlement of forward contracts of $2.2 million; and
- realized and unrealized operational foreign exchange losses of $0.8 million, partially offset by
- interest income of $0.9 million; and
- unrealized foreign exchange gains on forward contracts of $0.2 million.

Other income, net of $1.4 million in Fiscal 2017 primarily relates to:

- realized foreign exchange gains on the settlement of our forward contracts of $1.4 million; and
- unrealized foreign exchange gains on forward contracts of $0.2 million; and
- interest income of $0.2 million, partially offset by
- realized and unrealized operational foreign exchange losses of $0.4 million.

Adjusted EBITDA

Adjusted EBITDA increased by 12.8% to $132.7 million, or 17.9% of net revenue in Fiscal 2018, compared to $117.7 million, or 17.6% of net revenue in Fiscal 2017, primarily due to the factors discussed above.

Included in Adjusted EBITDA is the aforementioned straight-line rent expense from our new distribution centre and flagship stores under construction of $4.7 million in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million.

Stock-Based Compensation Expense

Stock-based compensation of $17.2 million was expensed in Fiscal 2018, compared to $103.0 million in Fiscal 2017.

Included in Fiscal 2018 is $5.7 million in expenses related to the accounting for options under our legacy option plan and $11.5 million in expenses primarily related to the accounting of options under our new option plan.

Stock-based compensation of $103.0 million was expensed in Fiscal 2017 due to the accounting of time-based and performance-based options under the legacy option plan in conjunction with the IPO. In Fiscal 2017, stock-based compensation of approximately $76.1 million was expensed relating to the accounting for fair value adjustments on our time-based option plan, driven by the increase in valuation of our Shares in connection with the IPO. At the end of Q2 2017, we also concluded that it was probable that the performance conditions relating to our performance-based options would be achieved in connection with the IPO. As a result, we also recognized stock-based compensation expense for our performance-based options in the amount of $23.6 million in Fiscal 2017.

Finance Expense

Finance expense was $5.2 million in Fiscal 2018, compared to $10.5 million in Fiscal 2017. The decrease was primarily driven by the write-off of deferred financing costs of $2.9 million associated with the amendment of our credit facilities concurrent with the closing of the IPO in Q3 2017, as well as lower average debt outstanding and lower average interest rates in Fiscal 2018.

Income Tax Expense

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. The statutory income tax rates for Fiscal 2018 and Fiscal 2017 were 26.4% and 26.3%, respectively.

Income tax expense was $30.2 million in Fiscal 2018, compared to $30.7 million in Fiscal 2017 and the effective tax rates for Fiscal 2018 and Fiscal 2017 were 34.6% and (121.0%), respectively. The increase in the effective tax rate when compared to the statutory rate is due to stock-based compensation expense not being deductible for tax purposes and a remeasurement of deferred tax assets at the reduced U.S. federal income tax rate due to the U.S. tax reform. In Fiscal 2017, stock-based compensation was also not a deductible expense, resulting in an increased income tax expense over a loss before income taxes and an effective tax rate of (121.0%).

Net Income (Loss)

Net income for Fiscal 2018 was $57.1 million, compared to net loss of $56.1 million in Fiscal 2017. This increase is primarily the result of an 11.4% increase in net revenue and a decrease in stock-based compensation expense, finance expense and income tax expense, partially offset by higher SG&A expenses and other expense (income), net.

Adjusted Net Income

Adjusted Net Income increased by 17.5% to $75.9 million, or $0.65 per diluted share (treasury stock method[(4)]) in Fiscal 2018, compared to $64.6 million, or $0.55 per diluted share (treasury stock method[(5)]) in Fiscal 2017, primarily due to the factors discussed above. Adjusted net income in Fiscal 2018 also excludes the impact of a non-recurring charge of $1.5 million to deferred income tax expense from the enactment of the U.S. tax reform.

Included in Adjusted Net Income is the aforementioned straight-line rent expense from our new distribution centre and flagship stores under construction of $4.7 million, net of related tax effects, in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million, net of related tax effects.

Summary of Consolidated Quarterly Results and Certain Performance Measures

The following table summarizes the results of our operations for the last eight most recently completed quarters. This unaudited quarterly information, other than Adjusted EBITDA, Adjusted Net Income and comparable sales growth, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

	Fiscal 2018				Fiscal 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands of Canadian dollars)							
Consolidated Statements of Operations:								
Net revenue	$ 219,804	$ 204,449	$ 173,968	$ 145,046	$ 196,396	$ 186,460	$ 157,918	$ 126,407
Gross profit	83,285	91,538	63,130	57,538	75,368	82,273	56,671	51,211
Income (loss) from operations	26,948	39,904	15,514	12,028	21,484	29,844	(80,686)	13,064
Net income (loss)	$ 15,901	$ 28,073	$ 4,990	$ 8,129	$ 11,528	$ (8,097)	$ (67,288)	$ 7,748
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	37.9%	44.8%	36.3%	39.7%	38.4%	44.1%	35.9%	40.5%
Income (loss) from operations	12.3%	19.5%	8.9%	8.3%	10.9%	16.0%	(51.1%)	10.3%
Net income (loss)	7.2%	13.7%	2.9%	5.6%	5.9%	(4.3%)	(42.6%)	6.1%
Adjusted EBITDA [1]	38,101	49,962	20,700	23,953	32,281	45,427	19,809	20,147
Adjusted Net Income [1]	22,489	30,595	10,380	12,470	18,284	27,457	9,281	9,605
Other Performance Measures:								
Comparable Sales Growth – constant currency[1][2]	6.0%	6.3%	5.4%	9.3%	12.3%	15.1%	16.4%	12.8%
Comparable Sales Growth – prior methodology[1][2]	6.1%	6.3%	5.3%	9.3%	11.5%	15.2%	16.9%	12.9%
Stores								
Number of stores, beginning of period	84	83	81	79	77	75	74	74
New stores	1	1	2	2	2	2	1	-
Number of stores, end of period	85	84	83	81	79	77	75	74
Stores expanded or repositioned	2	3	1	1	-	2	1	2

Note:

(1) See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA, Adjusted Net Income and Comparable Sales Growth, which are non-IFRS measures including Retail Industry Metrics. See also "Non-IFRS Measures".

(2) Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our credit facilities (defined herein), are expected to be sufficient to meet our future operating expenses, capital expenditures and future debt service requirements. Our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Summary of Factors Affecting Performance" and "Risk Factors" of this MD&A for additional information. We review investment opportunities in the normal course of our business and may make select investments to implement our business strategy when suitable opportunities arise. Historically, the funding for any such investments has come from cash flows from operating activities and/or our credit facilities.

Credit Facilities

As at February 25, 2018, the aggregate amount outstanding under our term credit facility was $118.7 million, maturing on May 13, 2019 ("Term Credit Facility"). A $70.0 million revolving credit facility is also available as part of this facility ("Revolving Credit Facility" and together with the Term Credit Facility, the "Credit Facilities"). No amounts were drawn on the Revolving Credit Facility as at February 25, 2018. Scheduled mandatory repayments of the Term Credit Facility will be $19.2 million in February 2019, with the balance due on the maturity date of May 13, 2019. In addition, the Term Credit Facility requires mandatory loan prepayments by us of principal and interest if certain events occur. See "Contractual Obligations – Off-Balance Sheet Arrangements and Commitments" for letters of credit issued.

Concurrent with the IPO, amendments to our Credit Facilities with our syndicate of lenders became effective. Each of the Credit Facilities has various interest rate charge options that are based on Canadian prime rates, base rates and LIBOR rates plus the applicable margin from time to time in effect. The amendment included allowing us to enter into bi-lateral letters of credit agreements of up to $75.0 million with different lenders, lowering the applicable margin on interest rates and amending other terms and conditions.

On March 29, 2017 and July 25, 2017, we entered into trade finance agreements for letters of credit, $50.0 million with HSBC and $25.0 million with CIBC, respectively, all secured *pari passu* with the Credit Facilities. The interest rate is between 1.17% and 2.00%.

The credit agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on us and each credit facility guarantor, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, liquidate or dissolve, engage in any material business other than the fashion retail business, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements, enter into sale-leaseback transactions, ensure pension plan compliance, sell or discount receivables, enter into agreements with unconditional purchase obligations, issue shares, create or acquire a subsidiary or make any hostile acquisitions.

Cash Flows

The following table presents cash flows for the periods and fiscal years indicated.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
	(in thousands of Canadian dollars)			
Net cash generated from operating activities	$ 38,809	$ 30,176	$ 105,358	$ 112,102
Net cash (used in) generated from financing activities	(12,694)	1,785	(5,974)	(5,060)
Net cash used in investing activities	(18,784)	(11,610)	(66,330)	(31,136)
Effect of exchange rate changes on cash and cash equivalents	(35)	(223)	(106)	35
Increase in cash and cash equivalents	$ 7,296	$ 20,128	$ 32,948	$ 75,941

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2018

Cash Flows Generated from Operating Activities

For Q4 2018, cash flows generated from operating activities totalled $38.8 million, compared to $30.2 million in Q4 2017. This increase was primarily attributable to higher Adjusted EBITDA and a lower use of working capital due to the timing of certain payments.

For Fiscal 2018, cash flows generated from operating activities totalled $105.4 million, compared to $112.1 million for Fiscal 2017. This decrease was primarily due to higher income taxes paid during Fiscal 2018 and a higher use of working capital due to the timing of certain payments, partially offset by higher Adjusted EBITDA and lower offering costs in Fiscal 2018.

Cash Flows (Used in) Generated from Financing Activities

For Q4 2018, cash flows used in financing activities totalled $12.7 million, compared to cash flows of $1.8 million generated in Q4 2017. This increase was primarily due to a repayment on our Credit Facilities made in Q4 2018, partially offset by higher net proceeds received from options exercised in Q4 2018.

For Fiscal 2018, cash flows used in financing activities totalled $6.0 million, compared to $5.1 million in Fiscal 2017. This increase was primarily due to higher repayments on our Credit Facilities made in Fiscal 2018, partially offset by higher net proceeds received from options exercised in Fiscal 2018.

Cash Flows Used in Investing Activities

For Q4 2018, cash flows used in investing activities totalled $18.8 million, compared to $11.6 million in Q4 2017. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions, as well as the construction commencement of our expanded distribution centre during Q4 2018.

For Fiscal 2018, cash flows used in investing activities totalled $66.3 million, compared to $31.1 million in Fiscal 2017. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions, as well as the implementation of our new POS system and construction commencement of our distribution centre during Fiscal 2018.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 25, 2018.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Accounts payable and accrued liabilities	$ 66,195	$ -	$ -	$ 66,195
Finance lease obligations	399	-	-	399
Assumed interest on long-term debt[1]	4,236	761	-	4,997
Debt[2]	19,127	99,611	-	118,738
Total contractual obligations	$ 89,957	$ 100,372	$ -	$ 190,329

Notes:

(1) Based on interest rate in effect as at February 25, 2018.

(2) The Term Credit Facility requires mandatory loan prepayments by Aritzia of principal and interest if certain events occur.

Off-Balance Sheet Arrangements and Commitments

The following table summarizes our off-balance sheet arrangements and commitments as at February 25, 2018.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Operating leases	$ 80,470	$ 314,467	$ 262,713	$ 657,650
Purchase obligations	24,177	-	-	24,177
	$ 104,647	$ 314,467	$ 262,713	$ 681,827

Operating leases for certain of our premises include renewal options, rent escalation clauses and free-rent periods. The operating lease commitment reflects minimum annual commitments for our operating leases for our premises (excluding other occupancy charges and additional rent based on a percentage of revenue).

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 25, 2018, we had $24.2 million of raw materials not already included for use in purchase orders.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at February 25, 2018, letters of credit totalling $20.9 million have been issued.

Other than those items disclosed here and elsewhere in this MD&A and our consolidated financial statements, we do not have any material off-balance sheet arrangements or commitments as at February 25, 2018.

Subsequent to year end, we entered into additional operating leases, increasing the total minimum lease commitments by $46.8 million (excluding other occupancy charges and additional rent based on percentage of sales).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. We currently do not apply hedge accounting. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities, depending on whether they represent assets or liabilities to us. Changes in the fair value of foreign currency forward contracts are recorded in net income (loss). As at February 25, 2018, we had approximately $30.3 million of U.S. dollar denominated forward contracts outstanding at an average forward rate of 1.2494. The forward contracts had a positive fair value of $0.4 million as at February 25, 2018.

Related Party Transactions *(in thousands of Canadian dollars unless otherwise indicated)*

Berkshire Partners LLC ("Berkshire") is the investment manager to private equity funds that indirectly hold an ultimate controlling interest in us. Berkshire provided consulting and management advisory services to us pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, we terminated the Management Agreement with Berkshire.

During the year ended February 26, 2017, we incurred management fees of $190 for services rendered. Total net reimbursements to Berkshire for travel, lodging and other costs for the year ended February 25, 2018 were $66 (February 26, 2017 - $247).

In connection with the IPO and Secondary Offering, we reimbursed in aggregate $1.4 million in professional fees and other costs to the principal selling shareholders in accordance with our obligations under the registration rights agreement. At February 25, 2018, $652 was included in accounts payable and accrued liabilities (February 26, 2017 - $948).

During the year ended February 25, 2018, we purchased $8.3 million (February 26, 2017 - $10.8 million) of merchandise from a company partially owned by private equity funds managed by Berkshire. In August 2017, Berkshire exited its investment from the merchandise company; as such, purchases from the merchandise company subsequent to August 2017 are not considered related party transactions. At February 26, 2017, $47 was included in accounts payable and accrued liabilities.

During the year ended February 25, 2018, we paid $3.6 million (February 26, 2017 – $2.2 million) for rent of premises and $385 (February 26, 2017 - $nil) for the use of a leased asset wholly or partially owned by companies that are owned by a director and officer of the Company. At February 25, 2018, $100 (February 26, 2017 - $nil) was included in accounts payable and accrued liabilities.

During the year ended February 26, 2017, we provided unsecured loans bearing interest at a rate between 1% to 5% to certain employees, with certain repayment terms. As at February 25, 2018, the outstanding balance on the employee loans was $nil (February 26, 2017 - $125) and was included in accounts receivable and/or other assets.

Transactions with Key Management

Key management includes our directors and executive team. Compensation awarded to key management includes:

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
	(in thousands of Canadian dollars)			
Salaries, directors' fees and short-term benefits	$ 852	$ 855	$ 3,117	$ 3,084
Stock-based compensation expense	3,326	1,773	7,358	14,781
	$ 4,178	$ 2,628	$ 10,475	$ 17,865

Critical Accounting Estimates and Judgments

The preparation of 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.

The following discusses the most significant accounting judgments and estimates made by management in preparation of the consolidated financial statements:

Valuation of Finished Goods Inventory

Inventory, consisting of finished goods, is stated at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver the inventory to our distribution centres including freight and duty.

We periodically review our inventories and make provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, we accrue for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

For the purposes of assessing impairment, assets are grouped at the lowest levels where there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Stock-Based Compensation Expense

Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model. The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining

the expected settlement of the option. Judgment is also required in determining the timing of expense recognition for performance-based options.

Income Tax Expense

Income tax expense requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions.

Significant New Accounting Standards Adopted

In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. We adopted IAS 1 for our consolidated financial statements during the year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", which are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. We adopted amendments to IAS 7 for our consolidated financial statements during the year ended February 25, 2018. Implementation of the standard has not had a material effect on the consolidated financial statements.

Significant New Accounting Standards Issued But Not Yet Adopted

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The implementation of the standard is not expected to have a material quantitative impact on the consolidated financial statements. We are currently evaluating the effects of the disclosure requirements of IFRS 15 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. We have determined that the adoption of IFRS 9 will have no material impact on our consolidated financial statements with respect to our historical debt modifications. We are currently evaluating the effects of the disclosure requirements of IFRS 9 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While we are currently evaluating the impact this new guidance will have on our consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on our consolidated statements of financial position

upon adoption. As a result, we expect IFRS 16 to have a fundamental change on the consolidated statements of financial position. We expect to apply the standard in accordance with its future mandatory effective date.

In June 2016, the IASB issued amendments to IFRS 2, "Share-based Payment", clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with early application permitted. We have determined that the adoption of IFRS 2 will have no material impact on our consolidated financial statements.

Outlook

The first quarter of fiscal 2019 is off to a strong start with the Spring and Summer collections being well-received by our customers, putting us on track for sequentially higher comparable sales growth for the quarter.

For fiscal 2019, we expect to deliver low to mid-teens revenue growth and consistent Adjusted EBITDA margin, as compared to Fiscal 2018. This assumes:

- Five to six new stores including the Babaton store in Square One Shopping Centre in Toronto, and the Aritzia store in CrossIron Mills in Calgary both already opened in the first quarter.
- Four to five store expansions or repositions.
- Gross profit margin benefit from sourcing initiatives will be offset by higher raw material costs for the Fall/Winter season.
- SG&A expenses will grow proportionately with revenue growth in fiscal 2019. We will continue to make strategic investments in people, technology and infrastructure, primarily related to eCommerce, to support its long term growth. The majority of investments related to our eCommerce platform improvements are expensed within SG&A.
- Net capital expenditures in the range of $55 million to $60 million with approximately 50% for store network expansion.
- Fiscal 2019 is a 53 week year.

Overall, we remain on track to meet or exceed our stated fiscal 2021 performance targets.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at *www.sedar.com*.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of our risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign Exchange Risk

We source the majority of our raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. Our foreign exchange risk is primarily with respect to the U.S. dollar but we have limited exposure to other currencies as well. We use foreign exchange forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. During the period, we had only variable interest rate debt.

Credit Risk

Credit risk refers to the possibility that we can suffer financial losses due to the failure of our counterparties to meet their payment obligations. We are exposed to minimal credit risk. We do not extend credit to customers, but do have some receivable exposure in relation to tenant improvement allowances. To reduce this risk, we enter into leases with landlords with established credit history, and for certain leases, we may offset rent payments until accounts receivable are fully satisfied. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We only enter into derivative contracts with major financial institutions, as described above, for the purchase of foreign currency forward contracts.

Liquidity risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenue, income and working capital needs. The Revolving Credit Facility is used to maintain liquidity.

Controls and Procedures

Disclosure controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, including the CEO and the CFO, so that they can make appropriate decisions regarding public disclosure, including information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form, and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO, as of February 25, 2018. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at February 25, 2018.

Internal control over financial reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting and reporting, and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at February 25, 2018. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal controls over financial reporting were effective as at February 25, 2018 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Changes in Internal Control Over Financial Reporting

During the quarter and year ended February 25, 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Share Information Prior to the Completion of the IPO

Prior to the completion of the IPO, we had an unlimited authorized number of Class A, B, C and D common shares, with no par value. The Class A, B, C and D common shares were identical, except for an additional 0.001% voting right attached to each Class B common share and no voting right attached to each Class D common share. The Class A, B, C and D common shares ranked *pari passu* in all respects, including the right to receive dividends and upon any distribution of our assets.

Prior to the completion of the IPO, we had 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding. In addition, there were 28,692,457 options (after giving effect to the cancellation of 898,625 options upon closing), each exercisable for one common share, issued and outstanding. Assuming exercise of all outstanding options, there would have been 202,461,408 common shares issued and outstanding on a fully diluted basis.

Current Share Information

As of May 9, 2018, an aggregate of 56,434,240 Shares, 55,756,002 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by the principal shareholders. As of May 9, 2018, an aggregate of 12,475,874 options to acquire Shares are outstanding.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at *www.sedar.com*. The Company's Shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ATZ".