ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 28, 2021

May 11, 2021

The following Management's Discussion and Analysis ("MD&A") dated May 11, 2021 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 fiscal year ended February 28, 2021. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2021 (as hereinafter defined).

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, our ability to sustain momentum in our eCommerce business, the impact of health and safety measures including capacity restrictions and mandated closures on retail performance and labour and operating expenses, our ability to drive digital innovation of eCommerce and Omni, geographic expansion, product development, and brand awareness, our ability to weather further uncertainty, achieve meaningful growth and take advantage of opportunities, our ability to invest in critical infrastructure across our people, processes and technology, our outlook for net revenue growth in the first quarter of fiscal 2022. 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. 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.

Implicit in forward-looking statements in respect of the Company's expectations for net revenue growth of approximately 110% (approximately $234M) for the first quarter of fiscal 2022 as compared to last year, are certain current assumptions including the continued acceleration of sales in the United States both in retail and eCommerce channels as well as continued momentum of the Company's eCommerce business in Canada. The Company's forward-looking information is also based upon assumptions regarding the overall retail environment, the COVID-19 pandemic and related health and safety protocols and currency exchange rates for fiscal 2022. Specifically, we have assumed the following exchange rates for fiscal 2022: USD:CAD = 1:1.25.

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

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and in the Company's annual information form dated May 11, 2021 for Fiscal 2021 (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.

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

BASIS OF PRESENTATION

Our audited annual consolidated financial statements and unaudited condensed interim consolidated financial statements (together, the "consolidated financial statements") 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 2021" are to our 13-week period ended February 28, 2021, to "Q4 2020" are to our 13-week period ended March 1, 2020 and to "Q1 2022" are to our 13-week period ending May 30, 2021. All references in this MD&A to "Fiscal 2021" are to our 52-week period ended February 28, 2021, to "Fiscal 2020" are to our 52-week period ended March 1, 2020, to "Fiscal 2019" are to our 53-week period ended March 3, 2019 and to "Fiscal 2022" are to our 52-week period ending February 27, 2022.

The audited annual consolidated financial statements and accompanying notes for Fiscal 2021 and this MD&A were authorized for issue by the Company's Board of Directors.

OVERVIEW

Our vision is to be the most relevant and loved fashion destination for women all over the world. We believe in fashion that inspires and is both beautiful and beautifully made. We create aspirational environments and experiences, offer personalized and engaging service that delights, and engage through captivating communications. We call this Everyday Luxury.

Aritzia is an innovative design house and fashion boutique. We conceive, create, develop and retail fashion brands, each with its own vision and distinct aesthetic point of view, and all with a depth of design and quality that provide compelling value. As a group, they are united by an effortless appeal, a focus on fit and an of-the-moment point of view.

Founded in Vancouver in 1984, Aritzia has more than 100 locations in select cities across North America, including Vancouver, Toronto, Montreal, New York, Los Angeles, San Francisco and Chicago. We pride ourselves on creating immersive, human and highly personal shopping experiences, both in our boutiques and on aritzia.com — with a focus on delivering Everyday Luxury.

We connect our clients to the energy of our culture through the products we sell and the environments we create. As of the date of this MD&A, we operate 68 boutiques in Canada and 33 boutiques in the United States, averaging approximately 6,000 square feet, all of which are in premier locations within top-tier shopping destinations. We sell our products through our boutiques and aritzia.com, giving us complete control of the presentation of our brand and the relationships with our clients. This strategy allows us to present our brand in a consistent manner, including pricing, marketing and product merchandising. We carefully consider each Aritzia destination – physical and digital – individually, taking care to provide our clients with aspirational shopping experiences and exceptional service at every interaction.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a worldwide pandemic. Since the outbreak, Aritzia's priorities have been the well-being of our people, clients and supporting the community while safeguarding the long-term financial strength of our business. In order to ensure the health and safety of our people, clients and communities, we implemented stringent protocols across our boutiques, distribution centre and support offices.

First quarter Fiscal 2021

Aritzia experienced a significant decline in sales during the first two weeks of March 2020, leading up to the temporary closure of all our 96 retail boutiques in Canada and the United States. We immediately focused our efforts on driving revenue through aritzia.com and took swift action to manage expenditures, enhance short-term liquidity and protect our cash position.

During the initial temporary closures period, Aritzia saw favourable response to our beautifully designed Spring/Summer product and strategic online sales events, resulting in eCommerce revenue growth in excess of 125% through to the end of the first quarter compared to last year. Operating under stringent health and safety protocols and the support of nearly 575 retail and support office employees, our Distribution Centres and Concierge teams effectively managed the surge in eCommerce volumes while maintaining delivery times to meet or exceed client expectations. By immediately calibrating existing inventory and planned deliveries during the initial temporary closures period, we successfully capitalized on the shift in client demand for product relevant to stay-at-home measures while minimizing our inventory exposure.

Aritzia formed a COVID-19 Business Continuity Committee (the "Continuity Committee") to manage the provisions of our COVID-19 business continuity protocols. The Continuity Committee designed tools and standards to assure the effective and on-time management of emerging health and safety incidents; implemented a contact tracing program in accordance with World Health Organization and local government guidelines to manage emerging COVID-19 cases and exposures; and, proactively established workplace closing/reopening protocols to enhance our responsiveness to government mandated closures. The Continuity Committee's ensures that we remain focused on our operations and the safety of our people, clients, and communities.

Following a brief period of delay related to investment activities, Aritzia recommenced capital expenditures on boutique construction in the second half of the first quarter.

Second quarter Fiscal 2021

At the start of the second quarter, 31% of Aritzia's boutiques were reopened, with 96% of boutiques reopened by the end of the quarter. Operating under occupancy restrictions and reduced operating hours, sales for our reopened boutiques trended on average at 70% of last year's productivity levels for the quarter. The strength of our eCommerce business continued, delivering 82% revenue growth compared to the second quarter last year. The ongoing recovery of Aritzia's business, coupled with highly effective inventory management, resulted in the successful sell through of the majority of our Spring/Summer inventory while maintaining markdown levels consistent with the prior year. Importantly, this enabled us to enter the Fall/Winter season with the appropriate levels of inventory and a balanced product assortment.

Third quarter Fiscal 2021

At the start of the third quarter, 96% of Aritzia's boutiques were reopened. The resurgence of COVID-19 led to the government-mandated reclosure of 18 boutiques on November 23, 2020. As a result, 82% of our boutiques were open at the end of the third quarter. Third quarter sales for our reopened boutiques trended on average at 81% of last year's productivity levels despite significant occupancy restrictions and limited operating hours. Clients' enthusiastic response to our Fall/Winter product assortment drove continued accelerated momentum of our eCommerce channel, which delivered 79% revenue growth compared to last year.

Fourth quarter Fiscal 2021

At the start of the fourth quarter, 18 boutiques were temporarily closed, and during the fourth quarter, 39 of Aritzia's boutiques were temporarily closed due to government-mandated closures in Ontario and Quebec. At the end of the fourth quarter 18 of our boutiques remained temporarily closed. During the fourth quarter, enthusiastic client response to our product assortment saw opened boutiques perform at 80% of last year's sales productivity despite ongoing capacity restrictions while continued momentum delivered 81% eCommerce revenue growth.

Since the onset of the COVID-19 pandemic, we undertook prudent measures to enhance our short-term liquidity and protect our cash position throughout this pandemic. Our efforts include:

- Optimizing inventory and planned deliveries to capitalize on the shift in demand while minimizing our inventory exposure;
- Continuing to leverage applicable government business support programs, when qualified, for COVID-19;
- Driving additional cost reductions by minimizing non-essential operating costs and ongoing negotiations with suppliers and landlords for concessions; and
- Extending payment terms where possible.

In addition, we undertook several initiatives in support of our people and communities:

- Paid $25 million through the Aritzia Community™ Relief Fund to ensure financial continuity for our people during boutique closures and to enable seamless boutique reopenings;
- Gifted 110,000 Aritzia Community™ clothing packages to frontline healthcare heroes in Canada and the United States;
- Committed $1 million towards internal Diversity and Inclusion initiatives; and
- Donated $100,000 to Black Lives Matter and the NAACP.

While the continuing impact of the pandemic on the Company's business remains unclear, we believe that our increasing revenue combined with our cost management will partially mitigate these risks. The extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, the related government responses and any resulting health and safety measures or directives put in place by public health authorities, which are uncertain and cannot be predicted. Aritzia believes its eCommerce business is well-positioned to moderate these impacts.

See also the "Forward-Looking Information" and "Risk Factors" sections of this MD&A and in our AIF.

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 table entitled "Selected Consolidated Financial Information" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Fourth Quarter

- **Net revenue** decreased 2.9% to $267.5 million from Q4 last year, despite the reclosure of 39 of 101 boutiques for the majority of the quarter
- **eCommerce revenue** growth of 81.1% compared to Q4 last year
- **Sales productivity** of reopened boutiques trended on average at 79.6% of last year's levels despite severe occupancy restrictions and limited operating hours
- **Gross profit margin**(1) increased to 38.5% from 37.3% in Q4 last year
- **Adjusted EBITDA**(1) decreased to $35.2 million from $42.4 million in Q4 last year
- **Adjusted Net Income**(1) of $0.16 per diluted share, compared to $0.21 per diluted share in Q4 last year

Strategic Accomplishments for Fiscal 2021

- Successfully navigated COVID-19 to-date, prioritizing the health and safety of our people, clients and communities while taking swift action to position Aritzia to take advantage of the unprecedented opportunities ahead
- Accelerated momentum drove eCommerce revenue growth of 88.3% to comprise 49.7% of net revenues
- Drove revenue by pivoting product assortment and optimizing inventory to align with stay-at-home lifestyle
- Opened seven new boutiques and repositioned three existing boutiques in premier real estate locations
- Launched the Clientele App, Product Lifecycle Management system, Fit Analytics, Afterpay and other digital capabilities as we accelerated investments across infrastructure and talent to support future growth
- Advanced strategic initiatives to support Aritzia's communities, cultivate diversity and enhance sustainability

(1) See the sections below entitled "How We Assess the Performance of our Business" and "Selected Consolidated Financial Information" for further details concerning gross profit margin, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share and for a reconciliation to the most comparable IFRS measure.

OUTLOOK

The first quarter of fiscal 2022 is off to a strong start. Aritzia is on-track to deliver net revenue growth of approximately 110% in the first quarter compared to last year, implying a target of approximately $234 million. This reflects a previously unseen acceleration of sales in the United States in both its retail and eCommerce channels, as well as, continued momentum of the Company's eCommerce business in Canada. This revenue target for the first quarter is in spite of 50% or 34 of the Company's boutiques in Canada mandated to reclose starting on April 8, 2021 and expected to remain closed for the remainder of the quarter.

SELECTED FINANCIAL INFORMATION

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below has been derived from our audited annual consolidated financial statements and related notes. The selected consolidated financial information set out below for Q4 2021 and Q4 2020 is unaudited.

Selected Consolidated Financial Information

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2021 13 Weeks	Q4 2020 13 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Financial Summary:				
Net revenue	$ 267,525	$ 275,430	$ 857,323	$ 980,589
Cost of goods sold	164,600	172,589	544,818	577,165
Gross profit	102,925	102,841	312,505	403,424
Operating expenses				
Selling, general and administrative	72,357	64,331	250,726	243,362
Stock-based compensation expense	4,193	2,411	10,691	7,790
Income from operations	26,375	36,099	51,088	152,272
Finance expense	6,464	6,914	28,420	28,319
Other income	(2,129)	(1,354)	(3,534)	(2,185)
Income before income taxes	22,040	30,539	26,202	126,138
Income tax expense	5,970	8,824	6,975	35,544
Net income	$ 16,070	$ 21,715	$ 19,227	$ 90,594
Adjusted EBITDA[(2)]	$ 35,205	$ 42,375	$ 76,812	$ 172,572
Adjusted Net Income[(2)]	$ 17,678	$ 23,428	$ 26,028	$ 97,388
Adjusted Net Income per Diluted Share[(2)]	$ 0.16	$ 0.21	$ 0.23	$ 0.87
Weighted average number of diluted shares outstanding (thousands)	114,052	113,120	112,844	112,128
Cash and cash equivalents	$ 149,147	$ 117,750	$ 149,147	$ 117,750
Capital cash expenditures (net of proceeds from leasehold inducements)	$ 9,415	$ 9,732	$ 42,529	$ 36,253
Free cash flow[(2)]	$ (24,936)	$ 20,656	$ 36,306	$ 117,246
Percentage of Net Revenue:				
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	61.5%	62.7%	63.5%	58.9%
Gross profit	38.5%	37.3%	36.5%	41.1%
Operating expenses				
Selling, general and administrative	27.0%	23.4%	29.2%	24.8%
Stock-based compensation expense	1.6%	0.9%	1.2%	0.8%
Income from operations	9.9%	13.1%	6.0%	15.5%
Finance expense	2.4%	2.5%	3.3%	2.9%
Other income	(0.8%)	(0.5%)	(0.4%)	(0.2%)
Income before income taxes	8.2%	11.1%	3.1%	12.9%
Income tax expense	2.2%	3.2%	0.8%	3.6%
Net income	6.0%	7.9%	2.2%	9.2%
Adjusted EBITDA[(2)]	13.2%	15.4%	9.0%	17.6%
Adjusted Net Income[(2)]	6.6%	8.5%	3.0%	9.9%
Other Performance Metrics:				
Year-over-year net revenue (decline) growth	(2.9%)	6.3%	(12.6%)	12.2%
Comparable sales growth[(2)]	n/a	8.9%	n/a	7.6%
Boutiques:				
Number of boutiques, end of period	101	96	101	96
New boutiques	1	2	7	5
Repositioned to a flagship boutique	-	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	(1)	-
Boutiques expanded or repositioned	-	-	3	3

[(2)] Please see “How We Assess the Performance of Our Business” section of this MD&A for further details on these financial and operating measures.

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

Reconciliation to Non-IFRS Measures

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2021 13 Weeks	Q4 2020 13 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 16,070	$ 21,715	$ 19,227	$ 90,594
Depreciation and amortization	27,133	24,134	105,149	93,502
Finance expense	6,464	6,914	28,420	28,319
Income tax expense	5,970	8,824	6,975	35,544
EBITDA	55,637	61,587	159,771	247,959
Adjustments to EBITDA:				
Stock-based compensation expense	4,193	2,411	10,691	7,790
Rent impact from IFRS 16, Leases[3]	(21,985)	(20,973)	(89,949)	(82,527)
Unrealized gain on equity derivative contracts	(2,640)	(650)	(3,701)	(650)
Adjusted EBITDA	$ 35,205	$ 42,375	$ 76,812	$ 172,572
Adjusted EBITDA as a Percentage of Net Revenue	13.2%	15.4%	9.0%	17.6%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 16,070	$ 21,715	$ 19,227	$ 90,594
Adjustments to net income:				
Stock-based compensation expense	4,193	2,411	10,691	7,790
Unrealized gain on equity derivatives contracts	(2,640)	(650)	(3,701)	(650)
Related tax effects	55	(48)	(189)	(346)
Adjusted Net Income	$ 17,678	$ 23,428	$ 26,028	$ 97,388
Adjusted Net Income as a Percentage of Net Revenue	6.6%	8.5%	3.0%	9.9%
Weighted Average Number of Diluted Shares Outstanding (thousands)	114,052	113,120	112,844	112,128
Adjusted Net Income per Diluted Share	$ 0.16	$ 0.21	$ 0.23	$ 0.87

Note (3) Rent Impact from IFRS 16, Leases	Q4 2021 13 Weeks	Q4 2020 13 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Depreciation and amortization of right-of-use assets	$ (16,410)	$ (15,117)	$ (66,278)	$ (59,080)
Finance expense, related to leases	(5,575)	(5,856)	(23,671)	(23,447)
Rent impact from IFRS 16, Leases	$ (21,985)	$ (20,973)	$ (89,949)	$ (82,527)

(in thousands of Canadian dollars)	Q4 2021 13 Weeks	Q4 2020 13 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Reconciliation of Comparable Sales to Net Revenue:				
Comparable sales[4]	*(not applicable)*[5]	$ 245,636	*(not applicable)*[5]	$ 850,108
Non-comparable sales		29,794		130,481
Net revenue		$ 275,430		$ 980,589

(4) Comparable sales growth is a retail industry metric used to explain our combined revenue growth in eCommerce and established boutiques. This information is provided to give context for comparable sales in such given period as compared to net revenue reported in our financial statements. For more details, please see the "Comparable Sales Growth" subsection of the "How We Assess the Performance of Our Business" section of this MD&A.

(5) Please see the "Comparable Sales Growth" section of this MD&A for more details.

The following table reconciles net cash generated from operating activities to free cash flow for the periods indicated.

(in thousands of Canadian dollars)	Q4 2021 13 Weeks	Q4 2020 13 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Reconciliation of Net Cash Generated from Operating Activities to Free Cash Flow:				
Net cash generated from operating activities	$ 7,391	$ 47,898	$ 133,947	$ 222,076
Interest paid	890	971	4,651	4,429
Net cash used in investing activities	(11,368)	(12,167)	(50,848)	(47,790)
Repayments of principal on lease liabilities	(21,849)	(16,046)	(51,444)	(61,469)
Free cash flow	$ (24,936)	$ 20,656	$ 36,306	$ 117,246

The following tables provide selected consolidated financial information for the three most recently completed fiscal years.

Selected Consolidated Financial Information by Fiscal Year

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks	Fiscal 2019 53 Weeks
Net revenue	$ 857,323	$ 980,589	$ 874,296
Net income	19,227	90,594	78,728
Net income per share			
Basic	0.18	0.84	0.70
Diluted	0.17	0.81	0.67

Selected Consolidated Financial Position Data by Fiscal Year

(in thousands of Canadian dollars)	As at February 28, 2021	As at March 1, 2020	As at March 3, 2019
Total assets[(6)]	$ 1,140,737	$ 1,036,715	$ 629,374
Total non-current liabilities[(6)]	531,279	550,807	164,454

[(6)] The impact of IFRS 16 on the Fiscal 2021 and Fiscal 2020 Consolidated Financial Position figures includes an increase to total assets resulting from right-of-use assets recognized as well as an increase to non-current liabilities resulting from lease liabilities recognized.

No dividends have been paid on the Company's shares during the past three fiscal years.

SUMMARY OF FACTORS AFFECTING PERFORMANCE

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America, we have seen, and expect to continue to see, a direct, material adverse impact to many of the factors affecting our performance. The extent of the impact of such emergency measures, will depend on future developments, including the duration and severity of COVID-19 in the local markets in which we operate, which are uncertain and cannot be predicted.

We generally 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 and Products

We are an innovative design house of exclusive fashion brands that offers a strategic mix of exclusive brands that have been thoughtfully conceived, created, and developed. We believe that a key area of differentiation for us is that we design apparel and accessories for our collection of exclusive brands. Our 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 client demand and fashion preferences, which has been critical to our growth while also reducing risk.

Our exclusive brands are supported by in-house design teams focused on creating beautiful, quality products that align with the unique positioning, look and feel of each brand. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, shorts, skirts, dresses, denim, intimates and accessories for each season. We maintain a flexible mix of historically successful items and new seasonal styles. Our changing product mix is a blended reflection of client demands and fashion trends. This strategic mix helps us to drive client conversion by delivering fashion must-haves, while still generating a meaningful proportion of revenue from our fashion essentials. We complement our exclusive product mix with a strategically chosen selection of premium denim, accessories and footwear from leading contemporary third-party brands. Our expansive and diverse range of women's fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for women of all ages, producing strong and enduring client loyalty.

We see meaningful potential to double our product offering by fiscal 2025 through:
- Depth (sizes, lengths, colours)
- Breadth (new style development)
- New categories (including swim and intimates)

Product Strategy

We control the design, merchandise planning, sourcing, production and retail functions of our exclusive brands and complement this with third-party brands as appropriate. This strategy allows us 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. Product design and quality are meticulously evaluated and controlled by us, from fabrics to trims, and styling to fit. In Fiscal 2021 we implemented our Product Lifecycle Management system to further support our product strategy and processes. This system consolidates and manages all of our product development data and tools into a single place to improve our focus on innovation and product quality, increase speed to market where appropriate, and ultimately optimize manufacturing costs.

Creative Development

We have talented teams of in-house designers who focus on creating products featuring high quality fabrics, considered detailing, sophisticated construction and superior fit. Our product design and development process builds on proven sellers while taking new fashion trends into account with the goal of creating fashion must-haves each season. Our in-house technical team ensures all products are executed in a manner that is consistent with our design and delivers superior fit and sophisticated construction in the production of our exclusive brands. We partner with best in class mills and suppliers to create and sample garments, which are fit-tested twice before production. We ensure that the quality of our raw materials and the finished product are all held to our high standards and the expectations of our clients.

Merchandise Planning

Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined for more than three decades, 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.

Each year we develop product in two or four seasonal collections for our exclusive brands. We generate a meaningful proportion of revenue from our proven sellers while driving excitement through new seasonal product assortment. We buy in initial quantities that allow us to gauge client demand and follow up with larger orders when proven successful to maximize revenue. We analyze sales data in order to make inventory adjustments and to respond to the latest trends. Our inventory management processes and systems provide us with the ability to optimize inventory across our channels to ensure that each boutique and aritzia.com is merchandised with products that resonate with local preferences. By actively monitoring sell-through rates and managing the mix of product categories in our boutiques and aritzia.com, we are able to respond to emerging trends in a timely manner, minimize our dependence on any particular category, style or fabrication and preserve a balanced, coordinated presentation of merchandise within each boutique while being able to offer our client the entire assortment online. We believe that our disciplined merchandise planning strategy allows us to optimize inventory levels and maximize full-price sales.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands who provide us with the flexibility to source high quality materials and products at competitive costs. We believe that our approach of sourcing a majority of our raw materials and working directly with suppliers and manufacturers enhances our ability to create beautiful and high-quality products in a timely manner.

We source the majority of our raw materials directly from mills, trim suppliers and manufacturers, located primarily in China, Japan, Italy, South Korea, and Taiwan which we believe to be best in class that uphold our standards for quality, lead time and cost. Our finished goods are sourced from manufacturers located primarily in China, Vietnam, Cambodia, Sri Lanka, and Peru. We continue to monitor and diversify our supplier base, taking into consideration the geo-political and economic environment to mitigate risk. Capacity planning with our manufacturers is done at the beginning of the season to ensure flexibility. We engage third parties to inspect our manufacturers' factories to ensure quality control and engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards.

Boutiques

We have developed our boutique network in a measured and disciplined manner. We have a portfolio of boutiques situated in premier real estate locations in high performing retail malls and high streets in North America. Our strong boutique sales productivity continues to make us a sought-after tenant for top quality locations in premier shopping destinations. In addition to opening new Aritzia and exclusive brand boutiques (e.g. Wilfred, Babaton and TNA), we generate attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique expansions and repositions. We believe that we have a meaningful opportunity to expand our boutique network, particularly in the United States.

See also the "COVID-19 Pandemic" section of this MD&A.

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

	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Number of boutiques, beginning of period	101	94	96	91
New boutiques	1	2	7	5
Repositioned to a flagship boutique	(1)	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	(1)	-
Number of boutiques, end of period	101	96	101	96
Boutiques expanded or repositioned	-	-	3	3

eCommerce and Omni-Channel Innovation

Launched in fiscal 2013, our eCommerce business quickly surpassed our growth expectations and has continued to experience growth year over year in online traffic. We continue to invest in our digital capabilities to support our eCommerce business:

- *Drive our omni-channel growth and capabilities* – Our clients shop both online and in our boutiques, and we believe there are synergies between our boutique network and aritzia.com, with the success of each channel benefiting the other through increased brand awareness and affinity. We launched digital selling tools in our boutiques as well as new Aritzia Concierge capabilities that will enhance client interactions. We will seek to integrate these capabilities with the aritzia.com experience.
- *Capitalize on digital marketing channels to drive client acquisition and retention* – We are directing resources with a renewed focus on digital marketing, including programs centred on search engine optimization enhancements, refinement of our email marketing, and further leveraging our social media. We made numerous technical enhancements to improve our search engine optimization results, including navigation bread crumbs, improved product descriptions, and data driven category naming. We are pleased with the positive impact this has had on new client visits.
- *Deliver personalized experiences* – We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our clients. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and client loyalty. Our goal is to use personalization techniques to customize product and content recommendations to clients based on where they are and how they shop.
- *Improve the digital experience to enhance the shopping experience online* – Aritzia is focused on improving the digital experience across all devices (e.g., desktop, mobile, tablet) to work towards making shopping frictionless. We continue to implement a number of core optimizations including user reviews and fit guides, enhancing site search functionality, landing page templates, and numerous checkout improvements to reduce client friction. The core areas of our client's digital journey including content, evaluating, discovery and purchase are continuously improved resulting in increased conversion rate and average order value.

Distribution Facilities

Our current distribution network consists of three distribution centres, two in Canada and one in the United States, that are well positioned to service our boutiques and eCommerce business. We operate our distribution centre located in New Westminster, British Columbia, while the distribution centres located in Mississauga, Ontario and Columbus, Ohio are operated by third-party logistics providers. Our inventory is centrally managed, and shared amongst our boutiques and eCommerce business.

Our distribution centre in New Westminster, British Columbia is a 223,000 square foot facility. We continue to upgrade our warehouse management system to enhance our supply chain system flexibility and scalability. During Fiscal 2020, we completed expansions at both of our third-party distribution centres in Mississauga, Ontario and Columbus, Ohio, from 75,000 square feet to 150,000 square feet and from 138,000 to 240,000 square feet, respectively. In total, we added 177,000 square feet of space, representing an approximately 80% increase in size for these facilities. These expansions support both our retail and eCommerce businesses with added capacity to handle higher levels of throughput. Our current facilities are set up to flexibly manage multi-channel and omni-channel demands, as our business continues to grow.

Systems and Infrastructure

Our focus on building our digital infrastructure impacts everything we do. In our view, digital is about more than just our technology and eCommerce operations, it runs through the business all the way from design to the service we deliver in boutiques. We use best-in-class information systems to support the major functional aspects of our business. Ongoing upgrades and investments are expected to increase our efficiency and support our growth.

Clients

The Customer Program, a multi-year initiative comprised of four SAP projects, builds on our world-class client experience by providing a seamless, consistent and personalized approach towards how we engage and service our clients. Through advanced business intelligence and behavior analytics, our aim is to tailor unique shopping experiences both in our boutiques and eCommerce while driving revenues and client loyalty:

- Customer 360 – Launched in Fiscal 2020, this tool enables us to store, view and edit client information from all of our front-end systems. This gives us an enhanced, real-time view of our clients including their attributes, past purchases and preferences.
- Marketing Communications Platform – This platform builds on Customer 360's data repository, enabling us to personalize our communications by creating campaigns that cater to our clients' attributes and preferences, thereby enhancing our top-line growth. The first phase of the project was completed in Fiscal 2020.
- Concierge – Launched in Fiscal 2020, this integrated solution enhances our client experience throughout the lifecycle of their purchase. It is also a revenue generating opportunity as we personalize each client interaction through our client care centre. This platform was instrumental in supporting the significant increase in client care engagements during Fiscal 2021 as a direct result of the surge in eCommerce volumes.
- Digital Selling Tools – Also known as the Clientele App, the tool allows our style advisors to offer highly personalized service to our clients and drive traffic and sales to aritzia.com. In the form of a mobile app, the initial launch featured functionalities such as the ability to view client profiles and purchase history, product catalog and inventory data, the means to interact by call, text, or e-mail, and the ability to curate looks and share styles with clients.

We are also directing resources with a renewed focus on digital marketing and increasing the use of data analytics to improve online conversion and client loyalty through increased personalization.

eCommerce

aritzia.com is powered by Salesforce Commerce Cloud since its launch in Fiscal 2013. With our eCommerce business growing, we continue to invest in our digital capabilities. In Fiscal 2021, we implemented a number of initiatives on aritzia.com to enhance our clients' shopping experience. This included the launch of Fit Analytics to provide highly personalized size recommendations to our clients on aritzia.com. Based on the measurement data and preferences that our client provides, this AI tool leverages machine learning algorithms to generate precise fit guidance based on past purchases and its exceptional knowledge of our products.

Going forward, we expect to develop enhanced omni-channel capabilities to further elevate our clients' shopping experience, to provide a centralized view of inventory and unlock order fulfillment capabilities to improve cross channel activities such as store inventory visibility, buy online, ship from store and buy online, pickup in store.

See also the "COVID-19 Pandemic" section of this MD&A.

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 client 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, natural disasters or global pandemics. 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 historically 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 ("Revolving Credit Facility").

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

First fiscal quarter	17%
Second fiscal quarter	24%
Third fiscal quarter	29%
Fourth fiscal quarter	30%
Yearly total	100%

Weather

Extreme weather conditions in the areas in which our boutiques 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 clients to travel to our boutiques and thereby reduce our revenue and profitability. This is potentially mitigated by our clients' 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 the global fashion landscape between fast fashion and luxury. We compete with a diverse group of specialty apparel retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel. Market participants compete on the basis of, among other things, the location of boutiques, the breadth, style, quality, price and availability of merchandise, the level of client service and brand recognition. We believe that we successfully compete on the basis of several factors that include our strategic mix of exclusive brands, offering of a combination of high quality products at an attainable price point, our refined and proven merchandise planning strategy, our focus on providing an aspirational shopping experience and exceptional client service, our premier real estate portfolio and our market positioning, collectively resulting in a fashion brand loved by women all over the world.

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. From time to time, 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 reflects our sale of merchandise, less returns and discounts. Retail revenue at point-of-sale is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns. For merchandise that is ordered and paid in a boutique and subsequently picked up by or delivered to the customer, revenue is deferred until control of the merchandise has been transferred to the customer. eCommerce revenue is recognized at the date of estimated delivery to the customer, and measured at the fair value of consideration received, net of discounts and an estimated allowance for returns. Revenues are reported net of sales taxes collected for various governmental agencies.

Comparable sales growth is a retail industry metric used to explain our combined revenue growth in eCommerce and established boutiques. Comparable sales from established boutiques is calculated based on revenue from boutiques that have been opened for at least 56 weeks, and excludes boutiques that were expanded or repositioned, boutiques in centres where we opened a new additional boutique and boutiques significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. We apply the prior year’s average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison (i.e. on a constant currency basis).

Comparable sales growth is typically a useful operating metric in assessing the performance of our business. However, as the temporary boutique closures from COVID-19 have resulted in boutiques being removed from our comparable store base, we believe comparable sales growth is not currently representative of our business and therefore we have not reported figures on this metric in this MD&A.

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs, variable lease payments and other occupancy-related expenses, as well as depreciation expense for our boutique and distribution centre assets. Our cost of goods sold may include different costs compared to other retailers. 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 revenue.

Selling, general and administrative (“SG&A”) expenses consists 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 boutiques, grow our eCommerce business, increase brand awareness and invest in our infrastructure and people.

SG&A expenses as a percentage of net revenue, excluding strategic investments in technology and infrastructure, are 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 is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense.

Adjusted EBITDA is a useful measure of operating performance, as we believe 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 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 gains or losses on equity derivative and forward contracts, a deduction of interest expense and depreciation relating to our leases to reflect an estimate of rent expense 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) is a useful measure of performance, as we believe 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, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized gains or losses on equity derivative and 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 weighted average number of diluted shares outstanding.

Free cash flow is an important metric because it is an indicator of how much cash is available for re-investment in the Company, debt repayment, share repurchases and other financing activities. Our sustained ability to generate free cash flow is an indicator of the financial strength of our business, as we require regular capital expenditures to build and maintain boutiques and purchase new equipment to improve our business and infrastructure. We define free cash flow as net cash generated from operating activities excluding interest paid, less net cash used in investing activities and repayments of principal on lease liabilities.

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", "free cash flow" 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. 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.

RESULTS OF OPERATIONS

Analysis of Results for Fourth Quarter Fiscal 2021

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2021		Q4 2020	
Net revenue	$ 267,525	100.0%	$ 275,430	100.0%
Cost of goods sold	164,600	61.5%	172,589	62.7%
Gross profit	102,925	38.5%	102,841	37.3%
Operating expenses				
Selling, general and administrative	72,357	27.0%	64,331	23.4%
Stock-based compensation expense	4,193	1.6%	2,411	0.9%
Income from operations	26,375	9.9%	36,099	13.1%
Finance expense	6,464	2.4%	6,914	2.5%
Other income	(2,129)	(0.8%)	(1,354)	(0.5%)
Income before income taxes	22,040	8.2%	30,539	11.1%
Income tax expense	5,970	2.2%	8,824	3.2%
Net income	$ 16,070	6.0%	$ 21,715	7.9%
Adjusted EBITDA	35,205	13.2%	42,375	15.4%
Adjusted Net Income	17,678	6.6%	23,428	8.5%
Adjusted Net Income per Diluted Share	$ 0.16		$ 0.21	

Net revenue decreased by 2.9% to $267.5 million, compared to $275.4 million in Q4 2020.The decrease in net revenue was primarily driven by a decline of $57 million in retail revenue due to 39 government-mandated boutique reclosures and $18 million related to occupancy restrictions and reduced operating hours in its open boutiques, offset by revenue from new boutiques. This was almost completely offset by a $67 million increase in revenue associated with the continued accelerated momentum in the Company's eCommerce business, which grew by 81.1% from Q4 2020.

Gross profit increased by 0.1% to $102.9 million, compared to $102.8 million in Q4 2020. Gross profit margin was 38.5%, compared to 37.3% in Q4 2020.The increase in gross profit margin was primarily due to lower markdowns and $1.5 million in rent abatements and $1.5 in million government rent and payroll subsidies recognized during the quarter, partially offset by the deleverage from reduced retail revenue and higher warehousing and distribution centre costs driven by the growth in the Company's eCommerce business.

SG&A expenses increased by 12.5% to $72.4 million, compared to $64.3 million in Q4 2020. SG&A expenses were 27.0% of net revenue, compared to 23.4% of net revenue in Q4 2020. The increase in SG&A expenses was primarily due to the continued investment in talent and COVID-19 related health and safety measures.

Other income was $2.1 million, compared to $1.4 million in Q4 2020.

Other income of $2.1 million in Q4 2021 primarily relates to:
- unrealized gains on equity derivatives of $2.6 million,
- interest income of $0.1 million, partially offset by
- unrealized and realized operational foreign exchange losses of $1.1 million.

Other income of $1.4 million in Q4 2020 primarily related to:
- unrealized gains on equity derivatives of $0.7 million,
- interest income of $0.5 million, and
- unrealized and realized operational foreign exchange gains of $0.1 million.

Adjusted EBITDA was $35.2 million, or 13.2% of net revenue, compared to $42.4 million, or 15.4% of net revenue in Q4 2020. The decrease in Adjusted EBITDA was primarily due to our continued investment in talent and COVID-19 related health and safety measures.

Stock-based compensation expense was $4.2 million, compared to $2.4 million in Q4 2020.

Included in Q4 2021 is $2.5 million in expenses related to the accounting for our deferred and restricted share units, $1.6 million in expenses primarily related to the accounting for options under our new option plan and $0.1 million in expenses related to the accounting for options under our legacy option plan.

Included in Q4 2020 is $1.4 million in expenses related to the accounting for options under our new option plan, $0.7 million in expenses related to the accounting for our deferred and restricted share units and $0.3 million in expenses related to the accounting for options under our legacy option plan.

Finance expense decreased by $0.4 million to $6.5 million, compared to $6.9 million in Q4 2020. The decrease in finance expense was primarily due to a lower average interest rate compared to Q4 2020.

Depreciation and amortization increased by $3.0 million to $27.1 million, compared to $24.1 million in Q4 2020.

The following table provides the depreciation and amortization expense for the periods indicated.

(in thousands of Canadian dollars)	**Q4 2021**	**Q4 2020**
Depreciation and amortization	$ 10,723	$ 9,017
Depreciation on right-of-use-assets	16,410	15,117
Total depreciation and amortization	$ 27,133	$ 24,134

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Q4 2021 and Q4 2020 were 26.7% and 26.8%, respectively.

Income tax expense was $6.0 million, compared to $8.8 million in Q4 2020 and the effective tax rates for Q4 2021 and Q4 2020 were 27.1% and 28.9%, respectively.

Net income was $16.1 million, compared to $21.7 million in Q4 2020. The decrease in net income was primarily due to our continued investment in talent and COVID-19 related health and safety measures.

Adjusted Net Income was $17.7 million, compared to $23.4 million in Q4 2020, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share was $0.16, compared to $0.21 in Q4 2020, primarily due to the factors discussed above.

Cash and cash equivalents at the end of Q4 2021 totaled $149.1 million, compared to $117.8 million at the end of Q4 2020.

Inventory at end of Q4 2021 was $171.8 million, compared to $94.0 million at the end of Q4 2020. This intentional increase was to fuel the acceleration of sales in the United States and continued growth in its eCommerce business. The Company is very pleased with this decision and it is seeing the results in its first quarter sales. The Company is confident in its inventory position and has made the decision to cancel its Spring sale and pushed back the launch of its Summer sales event in the United States by four weeks to align with the Canadian event. The Company expects to finish the season with a clean inventory position, as usual.

Capital cash expenditures (net of proceeds from leasehold inducements) decreased by $0.3 million to $9.4 million in Q4 2021, compared to $9.7 million in Q4 2020.

The following table provides the capital cash expenditures (net of proceeds from leasehold inducements) for the periods indicated.

(in thousands of Canadian dollars)	Q4 2021	Q4 2020
Cash used in investing activities	$ 11,368	$ 12,167
Proceeds from deferred tenant inducement allowances	(1,953)	(2,435)
Capital cash expenditures (net of proceeds from leasehold inducements)	$ 9,415	$ 9,732

Analysis of Results for Fiscal 2021

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2021		Fiscal 2020	
Net revenue	$ 857,323	100.0%	$ 980,589	100.0%
Cost of goods sold	544,818	63.5%	577,165	58.9%
Gross profit	312,505	36.5%	403,424	41.1%
Operating expenses				
Selling, general and administrative	250,726	29.2%	243,362	24.8%
Stock-based compensation expense	10,691	1.2%	7,790	0.8%
Income from operations	51,088	6.0%	152,272	15.5%
Finance expense	28,420	3.3%	28,319	2.9%
Other income	(3,534)	(0.4%)	(2,185)	(0.2%)
Income before income taxes	26,202	3.1%	126,138	12.9%
Income tax expense	6,975	0.8%	35,544	3.6%
Net income	$ 19,227	2.2%	$ 90,594	9.2%
Adjusted EBITDA	76,812	9.0%	172,572	17.6%
Adjusted Net Income	26,028	3.0%	97,388	9.9%
Adjusted Net Income per Diluted Share	$ 0.23		$ 0.87	

Net revenue decreased by 12.6% to $857.3 million, compared to $980.6 million in Fiscal 2020. The decrease in net revenue was primarily due to the impact of COVID-19 and the associated temporary boutique closures, as well as ongoing severe occupancy restrictions and reduced boutique operating hours, partially offset by meaningful eCommerce revenue growth throughout the year.

- **eCommerce revenue** increased by 88.3% to $425.9 million, or 49.7% of net revenue, compared to $226.2 million or 23.1% of net revenue in Fiscal 2020, driven by higher traffic and conversion
- **Retail revenue** decreased by 42.8% to $431.4 million, compared to $754.4 million in Fiscal 2020
- **Store count** at the end of Fiscal 2021 totaled 101 compared to 96 boutiques last year. During the year, the Company opened 7 new boutiques (5 in the United States and 2 in Canada) and repositioned three boutiques (1 in the United States and 2 in Canada)

Gross profit decreased by 22.5% to $312.5 million, compared to $403.4 million in Fiscal 2020. Gross profit margin was 36.5%, compared to 41.1% in Fiscal 2020. The decrease in gross profit margin was primarily due to higher warehousing and distribution centre costs driven by the growth in the Company's eCommerce business and deleverage from reduced retail revenue, partially offset by $17.2 million in rent abatements and $7.1 million in government subsidies primarily related to product, warehousing and distribution labour recognized during the year.

SG&A expenses increased by 3.0% to $250.7 million, compared to $243.4 million in Fiscal 2020. SG&A expenses in Fiscal 2021 were 29.2% of net revenue, compared to 24.8% of net revenue in Fiscal 2020. Deleverage in SG&A expenses this year was primarily due to the continued investment in talent, loss of retail revenue and the implementation of additional health and safety measures, partially offset by $26.6 million in government payroll subsidies related to retail and support office labour recognized during the year.

Other income was $3.5 million, compared to $2.2 million in Fiscal 2020.

Other income of $3.5 million in Fiscal 2021 primarily relates to:
- unrealized gains on equity derivative contracts of $3.7 million,
- interest income of $0.9 million, partially offset by
- unrealized and realized operational foreign exchange losses of $1.8 million.

Other income of $2.2 million in Fiscal 2020 primarily related to:
- interest income of $0.9 million,
- unrealized gains on equity derivative contracts of $0.7 million, and
- unrealized and realized operational foreign exchange gains of $0.4 million.

Adjusted EBITDA was $76.8 million, or 9.0% of net revenue, compared to $172.6 million, or 17.6% of net revenue in Fiscal 2020, primarily due to the factors discussed above. The decrease in Adjusted EBITDA was primarily due to the loss of net revenue from the impacts of COVID-19.

Stock-based compensation expense was $10.7 million, compared to $7.8 million in Fiscal 2020.

Included in Fiscal 2021 is $5.5 million in expenses primarily related to the accounting for options under our new option plan, $4.7 million in expenses related to the accounting for our deferred and restricted share units and $0.5 million in expenses related to the accounting for options under our legacy option plan.

Included in Fiscal 2020 is $4.8 million in expenses primarily related to the accounting for options under our new option plan, $1.9 million in expenses related to the accounting for our deferred and restricted share units and $1.1 million in expenses related to the accounting for options under our legacy option plan.

Finance expense increased by $0.1 million to $28.4 million, compared to $28.3 million in Fiscal 2020.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Fiscal 2021 and Fiscal 2020 were 26.7% and 26.8%, respectively.

Income tax expense was $7.0 million, compared to $35.5 million in Fiscal 2020 and the effective tax rates for Fiscal 2021 and Fiscal 2020 were 26.6% and 28.2%, respectively. The decrease in the effective tax rate compared to Fiscal 2020 is due to a decrease in the amount of stock-based compensation expense.

Depreciation and amortization increased by $11.6 million to $105.1 million, compared to $93.5 million in Fiscal 2020.

The following table provides the depreciation and amortization expense for the periods indicated.

(in thousands of Canadian dollars)	**Fiscal 2021**	**Fiscal 2020**
Depreciation and amortization	$ 38,871	$ 34,422
Depreciation on right-of-use assets	66,278	59,080
Total depreciation and amortization	$ 105,149	$ 93,502

Net income decreased by 78.8% to $19.2 million, compared to $90.6 million in Fiscal 2020. The decrease in net income was primarily due to the loss of net revenue from the impacts of COVID-19.

Adjusted Net Income was $26.0 million, compared to $97.4 million in Fiscal 2020, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share was $0.23, compared to $0.87 in Fiscal 2020, primarily due to the factors discussed above.

Capital cash expenditures (net of proceeds from leasehold inducements) increased by $6.3 million to $42.5 million, compared to $36.3 million in Fiscal 2020.

The following table provides the capital cash expenditures (net of proceeds from leasehold inducements) for the periods indicated.

(in thousands of Canadian dollars)	**Fiscal 2021**	**Fiscal 2020**
Cash used in investing activities	$ 50,848	$ 47,790
Proceeds from deferred tenant inducement allowances	(8,319)	(11,537)
Capital cash expenditures (net of proceeds from leasehold inducements)	$ 42,529	$ 36,253

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 (as hereinafter defined), are expected to be sufficient to meet our future operating expenses, capital expenditures, debt service requirements and return to shareholders (share buybacks). Our ability to fund future operating expenses, capital expenditures, debt service requirements and return to shareholders (share buybacks) 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

We have a term loan (“Term Loan”) and Revolving Credit Facility (collectively the “Credit Facilities”) with our syndicate of lenders.

As at February 28, 2021, the aggregate amount outstanding under our Term Loan was $75.0 million. The Term Loan matures on May 22, 2022 and has no scheduled principal repayments prior to maturity. The Term Loan requires mandatory loan prepayments by us of principal and interest if certain events occur.

A $100.0 million Revolving Credit Facility is also available as part of the Credit Facilities. During Fiscal 2021, $100.0 million of our Revolving Credit Facility was drawn and subsequently repaid. No amounts were drawn on the Revolving Credit Facility as at February 28, 2021. See “Contractual Obligations – Off-Balance Sheet Arrangements and Commitments” for letters of credit issued. See “COVID-19 Update” for more information.

In addition, we also have letters of credit facilities of $75.0 million, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.00% and 2.50%.

The 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 indicated.

(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Net cash generated from operating activities	$ 7,391	$ 47,898	$ 133,947	$ 222,076
Net cash used in financing activities	(19,922)	(13,614)	(48,905)	(157,402)
Net cash used in investing activities	(11,368)	(12,167)	(50,848)	(47,790)
Effect of exchange rate changes on cash and cash equivalents	(990)	(33)	(2,797)	(31)
(Decrease) increase in cash and cash equivalents	$ (24,889)	$ 22,084	$ 31,397	$ 16,853

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2021

Cash Flows Generated from Operating Activities

For Q4 2021, cash flows generated from operating activities totaled $7.4 million, compared to $47.9 million in Q4 2020. This change was primarily attributable to a decrease in income from operations and higher use of working capital due to the timing of payments, partially offset by a reduction in income taxes paid.

For Fiscal 2021, cash flows generated from operating activities totaled $133.9 million, compared to $222.1 million in Fiscal 2020. This change was primarily attributable to a decrease in income from operations and higher use of working capital due to the timing of payments and collection of receivables, partially offset by a reduction in income taxes paid.

Cash Flows Used in Financing Activities

For Q4 2021, cash flows used in financing activities totaled $19.9 million, compared to $13.6 million in Q4 2020. Financing activities in Q4 2021 and Q4 2020 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from options exercised.

For Fiscal 2021, cash flows used in financing activities totaled $48.9 million, compared to $157.4 million used in Fiscal 2020. Financing activities in Fiscal 2021 primarily relate to the repayment of principal on lease liabilities and include the drawdown and subsequent repayment of $100.0 million of the Revolving Credit Facility, partially offset by proceeds received from options exercised. Financing activities in Fiscal 2020 primarily relate to our repurchase of subordinate voting shares for cancellation for $107.0 million and the repayment of principal on lease liabilities, partially offset by proceeds received from options exercised. Financing activities in Fiscal 2020 also include the drawdown and subsequent repayment of $25.0 million of the Revolving Credit Facility

Cash Flows Used in Investing Activities

For Q4 2021, cash flows used in investing activities totaled $11.4 million, compared to $12.2 million in Q4 2020. Investing activities in Q4 2021 relate to new boutiques and boutique expansions and repositions.

For Fiscal 2021, cash flows used in investing activities totaled $50.8 million, compared to $47.8 million in Fiscal 2020. Investing activities in Fiscal 2021 relate to new boutiques and boutique expansions and repositions, as well as investments in our Product Lifecycle Management system.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 28, 2021.

(in thousands of Canadian dollars)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 131,893	$ -	$ -	$ 131,893
Assumed interest on Term Loan[7]	1,649	379	-	2,028
Lease liabilities	95,367	335,436	148,494	579,297
Minimum lease commitments with future commencement dates	2,474	24,239	26,760	53,473
Term Loan[8]	-	75,000	-	75,000
Total contractual obligations and commitments	$ 231,383	$ 435,054	$ 175,254	$ 841,691

Notes:

(7) Based on interest rate in effect as at February 28, 2021, and assuming no unscheduled principal payments are made prior to maturity.

(8) The Credit Facilities require mandatory loan prepayments by the Company of principal and interest if certain events occur. The Credit Facilities mature on May 22, 2022 and have no scheduled principal payments prior to maturity.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 28, 2021, we had purchase obligations of $69.8 million, which represent commitments for fabric to be used during upcoming seasons, made in the normal course of business.

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 28, 2021, letters of credit totaling $41.3 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 28, 2021.

FINANCIAL INSTRUMENTS

From time to time, we 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. 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. As at February 28, 2021, we did not have any outstanding foreign currency forward contracts.

The Company has equity derivative contracts to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes. Changes in the fair value of equity derivative contracts are recorded in net income. As at February 28, 2021, the equity derivative contracts had a positive fair value of $4.4 million which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During the year ended February 28, 2021, we made payments of $4.2 million (March 1, 2020 - $4.0 million) for lease of premises and management services and $0.7 million (March 1, 2020 - $0.6 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at February 28, 2021, the outstanding balance of lease liabilities owed to these companies was $11.6 million (March 1, 2020 - $12.6 million). As at February 28, 2021, $0.2 million was included in accounts payable and accrued liabilities (March 1, 2020 - $0.2 million). These transactions were measured at the amount of consideration established at market terms.

Transactions with Key Management

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

(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Salaries, directors' fees and short-term benefits	$ 555	$ 802	$ 3,860	$ 3,981
Stock-based compensation expense	1,827	919	4,135	3,111
	$ 2,382	$ 1,721	$ 7,995	$ 7,092

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:

Gift Card Breakage

Recognition of gift card breakage requires the use of judgment involving the estimation of our average gift card breakage rate, based on historical redemption rates. The resulting revenue from breakage is recognized in proportion to actual gift card redemptions.

Return Allowances

Recognizing provisions for sales return allowances requires judgement in estimating the return rate of merchandise based on historical patterns of returns.

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.

Leases

We use the lessee's incremental borrowing rate when determining the carrying amount of right-of-use assets and lease liabilities, as the interest rates implicit in the lease agreements are not readily available. We determine the incremental borrowing rate of each leased asset as the rate of interest that we would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

We exercise judgment in determining the appropriate lease term on a lease by lease basis and consider all facts and circumstances that create an economic incentive to exercise a renewal or termination option. The periods covered by renewal options are included in the lease term only if we are reasonably certain we will exercise such renewal options.

In May 2020, the IASB issued guidance in relation to accounting for rent concessions resulting from COVID-19. We have elected to apply the issued guidance for Fiscal 2021.

Stock-Based Compensation Expense

Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model, including risk-free interest rate, stock price volatility, forfeiture rate and the expected life of 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 RECENTLY ADOPTED

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendment became effective for annual reporting periods beginning on or after June 1, 2020. Earlier application was permitted. The Company adopted the amendment effective for the annual period ended February 28, 2021 and has elected to apply the provided practical expedient. The Company accounts for any change in lease payments resulting from a COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification.

Standards Issued But Not Yet Adopted

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

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

RISK FACTORS

For a detailed description of risk factors associated with the Company, including COVID-19 risks, 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, liquidity and equity price 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 of Directors 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, liquidity risk and equity price 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 may 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, and 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 year, 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 clients, 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.

Equity Price Risk

We are exposed to risk arising from the cash settlement of our deferred and restricted share units, as an appreciating subordinate voting share price increases the potential cash outflow. We record a liability for the potential future settlement of our deferred and restricted share units by reference to the fair value of the liability. We may use equity derivative contracts to offset our cash flow variability of the expected payment associated with our deferred and restricted share units. We only enter into equity derivative contracts with major financial institutions.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure 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 and timely decisions regarding public disclosure, including information contained in annual and interim filings, including the consolidated financial statements, MD&A, AIF, and other documents and external communications.

As required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), 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 at February 28, 2021. 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 28, 2021.

Although the Company's disclosure controls and procedures were operating effectively as of February 28, 2021, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures

of persons within the Company to disclose material information otherwise required to be set forth in the Company's regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. The Company's internal controls 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.

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 28, 2021. In making this assessment, management, including the CEO and CFO, used the framework set forth in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal control over financial reporting, as defined by NI 52-109, were effective as at February 28, 2021.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures. Therefore, even when determined to be designed effectively, disclosure controls and internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter and year ended February 28, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of May 10, 2021, an aggregate of 85,522,257 subordinate voting shares, 24,537,349 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 10, 2021, an aggregate of 8,156,809 options to acquire subordinate voting 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 subordinate voting shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ATZ".

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, Adjusted Net Income per Diluted Share, free cash flow 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.

Consolidated Quarterly Results

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2021				Fiscal 2020			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial Summary:								
Net revenue	$ 267,525	$ 278,254	$ 200,155	$ 111,389	$ 275,430	$ 267,282	$ 241,178	$ 196,699
Cost of goods sold	164,600	152,171	129,719	98,328	172,589	147,687	145,751	111,138
Gross profit	102,925	126,083	70,436	13,061	102,841	119,595	95,427	85,561
SG&A	72,357	74,707	60,151	43,511	64,331	64,035	60,567	54,429
Income (loss) from operations	26,375	48,004	8,138	(31,429)	36,099	54,497	32,918	28,758
Net income (loss)	16,070	30,502	(874)	(26,471)	21,715	34,803	17,920	16,156
Net income (loss) per share	$ 0.15	$ 0.28	$ (0.01)	$ (0.24)	$ 0.20	$ 0.32	$ 0.17	$ 0.15
Net income (loss) per diluted share	$ 0.14	$ 0.27	$ (0.01)	$ (0.24)	$ 0.19	$ 0.31	$ 0.16	$ 0.14
Adjusted EBITDA [9]	$ 35,205	$ 54,565	$ 12,274	$ (25,232)	$ 42,375	$ 58,446	$ 36,372	$ 35,379
Adjusted Net Income (Loss)[10]	$ 17,678	$ 32,188	$ 1,034	$ (24,872)	$ 23,428	$ 35,719	$ 19,757	$ 18,484
Adjusted Net Income (Loss) per Diluted Share[9]	$ 0.16	$ 0.29	$ 0.01	$ (0.23)	$ 0.21	$ 0.32	$ 0.18	$ 0.17
Weighted average number of diluted shares (in thousands)[10]	114,052	112,903	112,550	109,353	113,120	111,898	111,537	111,851
Cash and cash equivalents	$ 149,147	$ 174,036	$ 207,254	$ 224,313	$ 117,750	$ 95,666	$ 29,986	$ 35,757
Capital cash expenditures (net of proceeds from leasehold inducements)	$ 9,415	$ 10,383	$ 10,586	$ 12,145	$ 9,732	$ 11,194	$ 6,426	$ 8,901
Free cash flow	$ (24,936)	$ 68,387	$ (15,200)	$ 8,055	$ 20,656	$ 80,810	$ (1,137)	$ 16,917
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	61.5%	54.7%	64.8%	88.3%	62.7%	55.3%	60.4%	56.5%
Gross profit	38.5%	45.3%	35.2%	11.7%	37.3%	44.7%	39.6%	43.5%
SG&A	27.0%	26.8%	30.1%	39.1%	23.4%	24.0%	25.1%	27.7%
Income (loss) from operations	9.9%	17.3%	4.1%	(28.2%)	13.1%	20.4%	13.6%	14.6%
Net income (loss)	6.0%	11.0%	(0.4%)	(23.8%)	7.9%	13.0%	7.4%	8.2%
Adjusted EBITDA [9]	13.2%	19.6%	6.1%	(22.7%)	15.4%	21.9%	15.1%	18.0%
Adjusted Net Income (Loss)[9]	6.6%	11.6%	0.5%	(22.3%)	8.5%	13.4%	8.2%	9.4%
Other Performance Metrics:								
Net revenue growth	(2.9%)	4.1%	(17.0%)	(43.4%)	6.3%	10.0%	17.4%	17.8%
Comparable sales growth[9]	n/a	n/a	n/a	n/a	8.9%	5.1%	8.4%	7.9%
Boutiques:								
Number of boutiques, beginning of period	101	97	97	96	94	93	92	91
New boutiques added	1	5	-	1	2	1	1	1
Repositioned to a flagship boutique	(1)	-	-	-	-	-	-	-
Boutique temporarily closed due to mall redevelopment	-	(1)	-	-	-	-	-	-
Number of boutiques, end of period	101	101	97	97	96	94	93	92
Boutiques expanded or repositioned	-	2	1	-	-	2	-	1

Notes:

[9] See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share and comparable sales growth, which are non-IFRS measures including Retail Industry Metrics. See also "Non-IFRS Measures".

[10] Weighted average number of diluted shares is provided for purposes of calculating Adjusted Net Income (Loss) per Diluted Share.