ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended November 28, 2021

January 12, 2022

The following Management's Discussion and Analysis ("MD&A") dated January 12, 2022 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 thirteen-week and thirty-nine week periods ended November 28, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for Q3 2022 and YTD 2022 (as hereinafter defined) and the Company's audited consolidated financial statements and accompanying notes for Fiscal 2021 (as hereinafter defined) and the related Management's Discussion and Analysis.

FORWARD-LOOKING INFORMATION

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements may relate to repurchases under our normal course issuer bid, our future financial outlook and anticipated events or results and include, our ability to sustain momentum in our business and advance our strategic growth drivers, continued focus on driving digital innovation and eCommerce and Omni capabilities, accelerating boutique growth and expanding our product assortment, acquiring new clients and investing in our infrastructure and growing team, the Company's response to mitigate anticipated supply chain disruptions and labour shortages, our outlook for: (i) net revenue in the fourth quarter of Fiscal 2022, (ii) net revenue in Fiscal 2022, (iii) gross profit margin in Fiscal 2022, (iv) SG&A as a percent of net revenue in Fiscal 2022, (v) net capital expenditure in Fiscal 2022, (vi) new boutiques and expansion or repositioning of existing boutiques in Fiscal 2022 and (vii) CYC Design Corporation's net revenue and Adjusted EBITDA contribution in the fourth 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: (i) net revenue in the range of $375 million to $400 million for the fourth quarter, representing a 40% to 50% increase compared to last year, (ii) net revenue in the range of $1.425 billion to $1.45 billion in Fiscal 2022, implying an increase of 65% to 70% from Fiscal 2021, (iii) Gross profit margin improvement seen in the third quarter compared to pre-COVID-19 levels in Fiscal 2020 to be similar in the fourth quarter, (iv) SG&A dollar growth seen in the third quarter compared to pre-COVID-19 levels in Fiscal 2020 to be similar in the fourth quarter (v) net capital expenditures in the range of $55 million to $60 million and (vi) CYC Design Corporation's net revenue and adjusted EBITDA contribution in the fourth quarter of Fiscal 2022, 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 = 1:1.26.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the limitations or restrictions that may be placed on servicing our clients in reopened boutiques or potential re-closing of boutiques or the duration of any such limitations or restrictions; (b) the COVID-19-related impacts on our business, operations, labour force, 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 "Q3 2022" are to our 13-week period ended November 28, 2021, to "Q3 2021" are to our 13-week period ended November 29, 2020, to "YTD 2022" are to our 39-week period ended November 28, 2021, to "YTD 2021" are to our 39-week period ended November 29, 2020, to "Q2 2022" are to our 13-week period ended August 29, 2021 and to "Q4 2021" are to our 13-week period ended February 28, 2021. All references in this MD&A to "Fiscal 2022" are to our 52-week period ending February 27, 2022, to "Fiscal 2021" are to our 52-week period ended February 28, 2021 and to "Fiscal 2020" are to our 52-week period ended March 1, 2020.

The unaudited condensed interim consolidated financial statements and accompanying notes for Q3 2022 and YTD 2022 and this MD&A were authorized for issue by the Company's Board of Directors.

OVERVIEW

Aritzia is a vertically integrated design house with an innovative global platform. We are creators and purveyors of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style — all with the wellbeing of our people and planet in mind.

Founded in 1984, in Vancouver, Canada, we pride ourselves on creating immersive, and highly personal shopping experiences at aritzia.com and in our 100+ boutiques throughout North America to everyone, everywhere.

Everyday Luxury. To elevate your world.™

RECENT EVENTS

Completion of Secondary Offering

On May 13, 2021, the Company announced a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and or controlled directly or indirectly by Brian Hill, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate voting share and was completed on June 1, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the 13-week period ended May 30, 2021, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Following the Offering, Brian Hill remains the Company's largest shareholder with an approximately 20% equity interest. Underwriting fees were paid by the Selling

Shareholders, and other expenses related to the Secondary Offering of approximately $0.5 million were paid by the Company.

Closed Acquisition of CYC Design Corporation

On June 25, 2021, the Company successfully completed its acquisition of CYC Design Corporation ("CYC"), a leading designer and manufacturer of premium athletic wear, Reigning Champ. The Company acquired 75% of CYC based on a total enterprise value of approximately $63.0 million, with the remaining 25% equity interest held by CYC's management shareholders to be converted into the Company's subordinate voting shares in up to three instalments from 2024 to 2026.

The acquisition meaningfully accelerates the Company's product expansion into men's while bringing incremental growth to the Company's already surging women's eCommerce and U.S. businesses. Capitalizing on the Company's world-class operational expertise and infrastructure, men's, merchandised independently, will become a meaningful part of the Company's platform through the CYC acquisition.

Following the close of the transaction on June 25, 2021, Q3 2022 results include the consolidation of CYC.

Refinanced Credit Facility

On July 13, 2021, the Company refinanced its term loan and revolving credit facility, extending the term to July 13, 2025. As part of the refinancing, the Company repaid its term loan of $75.0 million and increased its existing revolving credit facility from $100.0 million to $175.0 million.

SUBSEQUENT EVENTS

Normal Course Issuer Bid

On January 12, 2022, the Company announced the commencement of a normal course issuer bid ("NCIB") through the facilities of the Toronto Stock Exchange to repurchase and cancel up to 3,732,725 of the Company's subordinate voting shares, representing approximately 5% of the public float of 74,654,507, during the twelve month period commencing January 17, 2022 and ending January 16, 2023.

Appointment of Daniel Habashi to the Board of Directors

The Company also announced that Daniel Habashi will join Aritzia's Board of Directors effective January 14, 2022. Mr. Habashi is the General Manager of TikTok Canada, overseeing content and operations for the market. Mr. Habashi is recognized by Report on Business Magazine as one of Canada's best executives. He served as Chief Marketing Officer of Soho House & Co from 2018 to 2020 and has held leadership positions at Instagram, Facebook and Microsoft from 2005 to 2017. Mr. Habashi holds a Business Administration Management (Honours) Degree from Wilfrid Laurier University and an International Management degree from LIUC – Università Cattaneo. With the addition of Mr. Habashi, Aritzia's Board of Directors will have eight out of ten directors who are independent under Canadian securities laws.

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.

First quarter Fiscal 2022

At the start of the first quarter, 18 boutiques were temporarily closed. Retail revenue performance in the first quarter continued to be impacted by the closure of 34, or half of the Company's 68 boutiques in Canada for approximately two-thirds of the quarter. This compares to the closure of all boutiques at the outset of the pandemic on March 16, 2020. At the end of Q1 2022, 33 of our boutiques remained temporarily closed. Sales productivity of open boutiques in the first quarter trended, on average, at 99% of pre-COVID-19 levels in Q1 2020 despite occupancy restrictions and limited operating hours. Our eCommerce business delivered 19% revenue growth compared to the same period last year, on top of the 125% increase in Q1 2021 when all of our boutiques were closed.

Second quarter Fiscal 2022

As at July 12, 2021, all of the Company's boutiques had reopened. Our eCommerce business revenue continues to surge with 49% growth over the same period last year on top of the 82% growth that we saw in Q2 2021. Sales in our boutiques were exceptional, exceeding pre-pandemic levels with comparable sales growing 14% from two years ago in the second quarter of Fiscal 2020.

Third quarter Fiscal 2022

Our net revenues for the third quarter grew 63% over the same period last year, driven by sales growth across all geographies and all channels. Sales growth in the United States sustained unprecedented momentum, increasing 115% over the same period last year and representing 44% of our total revenue in the third quarter. Our eCommerce business continued to surge, increasing 47% on top of the 79% increase in Q3 2021. Our retail revenue increased by 72% over the same period last year, achieving retail comparable sales growth of 58% compared to last year, whilst continuing to exceed pre-pandemic levels with retail comparable sales growth of 26% from two years ago in the third quarter of Fiscal 2020.

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 $30 million through the Aritzia Community™ Relief Fund to ensure financial continuity for our people during boutique closures and to enable seamless boutique reopenings;
- Gifted 120,000 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.

Q3 2022

- **Net revenue** increased 62.9% to $453.3 million from Q3 2021
- **eCommerce revenue** increased by 46.9% to $148.0 million from Q3 2021, comprising 32.6% of net revenues in Q3 2022
- **Retail revenue** increased by 72.0% to $305.3 million from Q3 2021, achieving comparable sales growth of 58% compared to Q3 2021
- **Gross profit margin**(1) increased to 46.4% from 45.3% in Q3 2021
- **Adjusted EBITDA**(1) increased to $109.3 million from $54.6 million in Q3 2021
- **Net income** increased to $64.9 million from $30.5 million in Q3 2021
- **Adjusted Net Income**(1) of $0.61 per diluted share, compared to $0.29 per diluted share in Q3 2021

YTD 2022

- **Net revenue** increased 78.1% to $1.1 billion, compared to $589.8 million in YTD 2021
- **eCommerce revenue** increased by 38.5% to $382.4 million from YTD 2021, comprising 36.4% of net revenues in YTD 2022
- **Retail revenue** increased by 112.9% to $667.9 million from YTD 2021

- **Gross profit margin**[(1)] increased to 45.3% from 35.5% in YTD 2021
- **Adjusted EBITDA**[(1)] increased to $223.1 million from $41.6 million in YTD 2021
- **Net income** increased to $122.7 million from $3.2 million in YTD 2021
- **Adjusted Net Income** [(1)] of $1.19 per diluted share, compared to $0.07 per diluted share in YTD 2021

[(1)] See the sections below entitled "How We Assess the Performance of our Business", "Selected Consolidated Financial Information" and "Non-IFRS Measures including Retail Industry Metrics" for further details concerning gross profit margin, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share including definitions and reconciliations to the relevant reported IFRS measure.

OUTLOOK

Consistent with its communication throughout the pandemic, the Company is providing an update for its fourth quarter and Fiscal 2022 outlook. Fourth quarter net revenues are anticipated to be in the range of $375 million to $400 million, representing a 40% to 50% increase compared to last year. This reflects the robust client demand and continued strength of the Company's business throughout the entire holiday selling season.

However, since the beginning of January the Company has seen revenue pressure due to its third quarter and holiday sales significantly exceeding expectations and correspondingly resulting in meaningfully lower end-of-season sale inventory. That said, despite these headwinds the Company's business in the United States remains strong and the Company is well positioned for the launch of its exciting new Spring collection in February.

The Company currently expects the following for Fiscal 2022:

- Net revenue in the range of $1.425 billion to $1.45 billion, implying an increase of approximately 65% to 70% from Fiscal 2021, up from the Company's previous outlook of $1.25 billion to $1.3 billion. The increase reflects the better than anticipated results in the third quarter and continued anticipated growth in the Company's eCommerce business and the unprecedented growth in our US business, as well as contribution from its retail expansion with:
  - seven to eight new boutiques in the United States, including four opened through the end of the third quarter; with Tyson's Corner in Virginia opened already in the fourth quarter and The Forum Shops in Las Vegas, Easton Town Centre in Columbus and Aventura Mall in Miami slated to open prior to the end of the fiscal year; and
  - six boutique expansions or repositions, including four locations in Canada and two in the United States. Five boutique expansions or repositions have already opened through the end of the third quarter and the sixth reposition already opened in the fourth quarter.
- Gross profit margin improvement seen in the third quarter compared to pre-COVID-19 levels in Fiscal 2020 to be similar in the fourth quarter, despite higher expedited freight costs.
- SG&A dollar growth seen in the third quarter compared to pre-COVID-19 levels in Fiscal 2020 to be similar in the fourth quarter, driven by continued investments in people, processes and technology in addition to variable costs related to sales growth.
- Net capital expenditures in the range of $55 million to $60 million, comprised of:
  - boutique network growth, and
  - ongoing investments in technology and infrastructure to enhance the Company's eCommerce capabilities and omni-channel experience, including capacity expansion at its Distribution Centre in the Greater Vancouver area.

In addition to Aritzia's outlook above, CYC is expected to deliver approximately $7 million in net revenue and $1 million in Adjusted EBITDA[(1)] in the fourth 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 Q3 2022, Q3 2021, YTD 2022 and YTD 2021 is unaudited.

Selected Consolidated Financial Information

(in thousands of Canadian dollars, unless otherwise noted)	Q3 2022 13 Weeks	Q3 2021 13 Weeks	YTD 2022 39 Weeks	YTD 2021 39 Weeks
Financial Summary:				
Net revenue	$ 453,323	$ 278,254	$ 1,050,308	$ 589,798
Cost of goods sold	243,181	152,171	574,862	380,218
Gross profit	210,142	126,083	475,446	209,580
Operating expenses				
Selling, general and administrative	110,084	74,707	272,581	178,369
Stock-based compensation expense	9,109	3,372	20,406	6,498
Income from operations	90,949	48,004	182,459	24,713
Finance expense	6,160	7,211	19,110	21,956
Other income	(6,218)	(1,532)	(9,523)	(1,405)
Income before income taxes	91,007	42,325	172,872	4,162
Income tax expense	26,066	11,823	50,180	1,005
Net income	$ 64,941	$ 30,502	$ 122,692	$ 3,157
Adjusted EBITDA[(2)]	$ 109,289	$ 54,565	$ 223,082	$ 41,607
Adjusted Net Income [(2)]	$ 71,199	$ 32,188	$ 137,261	$ 8,350
Adjusted Net Income [(2)] per Diluted Share	$ 0.61	$ 0.29	$ 1.19	$ 0.07
Weighted average number of diluted shares outstanding (thousands)	116,140	112,903	115,402	112,386
Cash and cash equivalents	$ 305,932	$ 174,036	$ 305,932	$ 174,036
Capital cash expenditures (net of proceeds from lease incentives)	$ 20,318	$ 10,383	$ 36,173	$ 33,114
Free cash flow[(2)]	$ 169,704	$ 68,387	$ 258,984	$ 61,242
Percentage of Net Revenue:				
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	53.6%	54.7%	54.7%	64.5%
Gross profit	46.4%	45.3%	45.3%	35.5%
Operating expenses				
Selling, general and administrative	24.3%	26.8%	26.0%	30.2%
Stock-based compensation expense	2.0%	1.2%	1.9%	1.1%
Income from operations	20.1%	17.3%	17.4%	4.2%
Finance expense	1.4%	2.6%	1.8%	3.7%
Other income	(1.4%)	(0.6%)	(0.9%)	(0.2%)
Income before income taxes	20.1%	15.2%	16.5%	0.7%
Income tax expense	5.7%	4.2%	4.8%	0.2%
Net income	14.3%	11.0%	11.7%	0.5%
Adjusted EBITDA[(2)]	24.1%	19.6%	21.2%	7.1%
Adjusted Net Income [(2)]	15.7%	11.6%	13.1%	1.4%
Other Performance Metrics:				
Year-over-year net revenue growth (decline)	62.9%	4.1%	78.1%	(16.4%)
Comparable sales growth[(2)]	n/a	n/a	n/a	n/a
Boutiques:				
Number of boutiques, end of period	105	101	105	101
New boutiques	1	5	4	6
Boutique closed due to mall redevelopment	-	(1)	-	(1)
Boutiques expanded or repositioned	4	2	5	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, Adjusted Net Income and Adjusted Net Income per Diluted Share for the periods indicated.

Reconciliation to Non-IFRS Measures

(in thousands of Canadian dollars, unless otherwise noted)	Q3 2022 13 Weeks	Q3 2021 13 Weeks	YTD 2022 39 Weeks	YTD 2021 39 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 64,941	$ 30,502	$ 122,692	$ 3,157
Depreciation and amortization	11,238	9,333	32,459	28,148
Depreciation on right-of-use assets	17,461	16,834	50,465	49,868
Finance expense	6,160	7,211	19,110	21,956
Income tax expense	26,066	11,823	50,180	1,005
EBITDA	125,866	75,703	274.906	104,134
Adjustments to EBITDA:				
Stock-based compensation expense	9,109	3,372	20,406	6,498
Rent impact from IFRS 16, Leases[(3)]	(22,862)	(22,734)	(67,109)	(67,964)
Unrealized gain on equity derivative contracts	(6,950)	(1,776)	(12,186)	(1,061)
Fair value adjustment of NCI in exchangeable shares liability	2,000	-	2,000	-
Fair value adjustment for inventories acquired in CYC	1,902	-	1,902	-
Acquisition costs of CYC	224	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Adjusted EBITDA	109,289	54,565	223,082	41,607
Adjusted EBITDA as a percentage of net revenue	24.1%	19.6%	21.2%	7.1%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 64,941	$ 30,502	$ 122,692	$ 3,157
Adjustments to net income:				
Stock-based compensation expense	9,109	3,372	20,406	6,498
Unrealized gain on equity derivatives contracts	(6,950)	(1,776)	(12,186)	(1,061)
Fair value adjustment of NCI in exchangeable shares liability	2,000	-	2,000	-
Fair value adjustment for inventories acquired in CYC	1,902	-	1,902	-
Acquisition costs of CYC	224	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Related tax effects	(27)	90	(716)	(244)
Adjusted Net Income	$ 71,199	$ 32,188	$ 137,261	$ 8,350
Adjusted Net Income as a percentage of net revenue	15.7%	11.6%	13.1%	1.4%
Weighted Average Number of Diluted Shares Outstanding (thousands)	116,140	112,903	115,402	112,386
Adjusted Net Income per Diluted Share	$ 0.61	$ 0.29	$ 1.19	$ 0.07

Note (3) Rent Impact from IFRS 16, Leases	Q3 2022 13 Weeks	Q3 2021 13 Weeks	YTD 2022 39 Weeks	YTD 2021 39 Weeks
Depreciation and amortization of right-of-use assets, excluding fair value adjustments	$ (17,238)	$ (16,834)	$ (50,242)	$ (49,868)
Finance expense, related to leases	(5,624)	(5,900)	(16,867)	(18,096)
Rent impact from IFRS 16, Leases	$ (22,862)	$ (22,734)	$ (67,109)	$ (67,964)

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

(in thousands of Canadian dollars)	Q3 2022 13 Weeks	Q3 2021 13 Weeks	YTD 2022 39 Weeks	YTD 2021 39 Weeks
Reconciliation of Net Cash Generated from Operating Activities to Free Cash Flow:				
Net cash generated from operating activities	$ 209,471	$ 96,301	$ 347,734	$ 126,556
Interest paid	525	1,365	1,878	3,761
Net cash used in investing activities (purchase of property and equipment and intangible assets)	(22,336)	(12,434)	(46,287)	(39,480)
Repayments of principal on lease liabilities	(17,956)	(16,845)	(44,341)	(29,595)
Free cash flow	$ 169,704	$ 68,387	$ 258,984	$ 61,242

Selected Consolidated Financial Position Data

(in thousands of Canadian dollars)	As at November 28, 2021	As at February 28, 2021
Total assets	$ 1,433,651	$ 1,140,737
Total non-current liabilities	516,818	531,279

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 (for example: swim, intimates and men’s)
- Acquisition of CYC (a leading designer and manufacturer of premium athletic wear, Reigning Champ)

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 Aritzia's boutique count for the periods indicated (excluding CYC boutiques).

	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Number of boutiques, beginning of period	104	97	101	96
New boutiques	1	5	4	6
Boutique closure due to mall redevelopment	-	(1)		(1)
Number of boutiques, end of period	105	101	105	101
Boutiques expanded or repositioned	4	2	5	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.

In response to the transformative growth in our eCommerce business and to support our ongoing product expansion initiatives, we are investing to further expand two of our three distribution centres. Included in our capital expenditures outlook for Fiscal 2022 is the expansion of the capacity of our distribution centre in New Westminster, British Columbia. In addition, we are in-sourcing, relocating and expanding our current distribution centre in Mississauga, Ontario to service eastern Canada and our growing volume of eCommerce orders in the United States. In Q2 2022, we signed a new lease for a 550,000 square foot facility in the Greater Toronto Area and expect to incur capital expenditures of approximately $35 million related to the project during fiscal 2023.

In addition, CYC has a 35,000 square foot distribution centre located in Burnaby, British Columbia**.**

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.

In August 2021, we launched store inventory visibility, providing clients the ability to search product availability in our boutiques. Going forward, we expect to develop enhanced omni-channel capabilities to further elevate our clients' shopping experience and unlock order fulfillment capabilities to improve cross channel activities such as 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 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

The apparel industry 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.

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 our ability to execute our strategy to effectively present seasonal inventory.

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 total 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 total 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 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, fair value adjustment for inventories acquired in CYC, fair value adjustments of NCI in exchangeable shares liability and other non-cash items and/or items that 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 stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, fair value adjustment for inventories acquired in CYC, fair value adjustments of NCI in exchangeable shares liability and other non-cash items and/or items that 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 business acquisitions, debt repayment, share repurchases and other investing and 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 invest in infrastructure. We define free cash flow as net cash generated from operating activities excluding interest paid, less net cash used in regular capital expenditures 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 Third Quarter Fiscal 2022

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	Q3 2022		Q3 2021	
Net revenue	$ 453,323	100.0%	$ 278,254	100.0%
Cost of goods sold	243,181	53.6%	152,171	54.7%
Gross profit	210,142	46.4%	126,083	45.3%
Operating expenses				
Selling, general and administrative	110,084	24.3%	74,707	26.8%
Stock-based compensation expense	9,109	2.0%	3,372	1.2%
Income from operations	90,949	20.1%	48,004	17.3%
Finance expense	6,160	1.4%	7,211	2.6%
Other income	(6,218)	(1.4%)	(1,532)	(0.6%)
Income before income taxes	91,007	20.1%	42,325	15.2%
Income tax expense	26,066	5.7%	11,823	4.2%
Net income	$ 64,941	14.3%	$ 30,502	11.0%
Adjusted EBITDA[(1)]	$ 109,289	24.1%	$ 54,565	19.6%
Adjusted Net Income [(1)]	71,199	15.7%	32,188	11.6%
Adjusted Net Income [(1)] per Diluted Share	$ 0.61		$ 0.29	

Net revenue increased by 62.9% to $453.3 million, compared to $278.3 million in Q3 2021. The Company continues to see an unprecedented acceleration of sales in the United States, where net revenues increased by 115.1% to $198.7 million, compared to $92.4 million in Q3 2021.

- **eCommerce revenue** increased by 46.9% to $148.0 million, compared to $100.7 million in Q3 2021. The Company's eCommerce business continued its momentum, building on the 78.5% increase in Q3 2021.
- **Retail revenue** increased by 72.0% to $305.3 million, compared to $177.5 million in Q3 2021. The increase in revenue was led by outstanding performance of our comparable and new boutiques in the United States, as well as, strong double digit comparable sales growth in Canada. For the first time since the start of the pandemic, all of the Company's boutiques were open for the entire duration of the quarter, with one new boutique opened in the United States. Store count at the end of Q3 totaled 105 compared to 101 boutiques at the end of Q3 2021.

Gross profit increased by 66.7% to $210.1 million, compared to $126.1 million in Q3 2021. Gross profit margin was 46.4%, compared to 45.3% in Q3 2021. The improvement in gross profit margin was primarily due to leverage on occupancy costs, the strengthening of the Canadian dollar and lower markdowns, partially offset by lower rent abatements and higher freight costs as a result of global supply chain disruptions.

SG&A expenses increased by 47.4% to $110.1 million, compared to $74.7 million in Q3 2021. SG&A expenses were 24.3% of net revenue, compared to 26.8% in Q3 2021. The increase in SG&A expenses was primarily due to variable selling costs associated with the increase in revenue and continued investment in talent and technology.

Other income was $6.2 million, compared to $1.5 million in Q3 2021.

Other income of $6.2 million in Q3 2022 primarily relates to:
- unrealized gains on equity derivative contracts of $7.0 million,
- unrealized and realized operational foreign exchange gains of $1.1 million and
- interest and other income of $0.3 million, partially offset by
- fair value adjustment of NCI in exchangeable shares liability of $2.0 million and
- transaction costs relating to the acquisition of CYC of $0.2 million.

Other income of $1.5 million in Q3 2021 primarily related to:
- unrealized gains on equity derivative contracts of $1.8 million and
- interest and other income of $0.3 million, partially offset by
- unrealized and realized operational foreign exchange losses of $0.6 million.

Adjusted EBITDA[(1)] was $109.3 million, or 24.1% of net revenue, an increase of 100.3% compared to $54.6 million, or 19.6% of net revenue in Q3 2021. The increase in Adjusted EBITDA as a percentage of net revenue was primarily due to a 62.9% increase in net revenue, partially offset by the Company's continued investment in talent and technology.

Stock-based compensation expense was $9.1 million, compared to $3.4 million in Q3 2021.

Included in Q3 2022 is $6.4 million in expenses related to the accounting for the Company's deferred, preferred and restricted share units and $2.7 million in expenses primarily related to the accounting for options under the Company's new option plan.

Included in Q3 2021 is $1.7 million in expenses primarily related to the accounting for options under the Company's new option plan, $0.1 million in expenses related to the accounting for options under the Company's legacy option plan and $1.6 million in expenses related to the accounting for the Company's deferred and restricted share units.

Finance expense decreased by $1.0 million to $6.2 million, compared to $7.2 million in Q3 2021. The decrease in finance expense was primarily due to a reduction in interest expense from having repaid the term loan of $75.0 million during Q2 2022 and no amounts drawn on the revolving credit facility compared to Q3 2021, along with lower interest expense on lease liabilities in Q3 2022.

Depreciation and amortization increased by $2.5 million to $28.7 million, compared to $26.2 million in Q3 2021.

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

(in thousands of Canadian dollars)	**Q3 2022**	**Q3 2021**
Depreciation and amortization	$ 11,238	$ 9,333
Depreciation on right-of-use assets	17,461	16,834
Total depreciation and amortization	$ 28,699	$ 26,167

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 Q3 2022 and Q3 2021 were 26.6% and 26.7%, respectively.

Income tax expense was $26.1 million, compared to income tax expense of $11.8 million in Q3 2021 and the effective tax rates for Q3 2022 and Q3 2021 were 28.6% and 27.9%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $64.9 million, an increase of 112.9% compared to $30.5 million in Q3 2021. The increase in net income was primarily due to a 62.9% increase in net revenue, partially offset by the Company's continued investment in talent and technology.

Adjusted Net Income[(1)] was $71.2 million, an increase of 121.2% compared to $32.2 million in Q3 2021, primarily due to the factors discussed above.

Adjusted Net Income[(1)] **per Diluted Share** was $0.61, an increase of 110.3% compared to $0.29 in Q3 2021, primarily due to the factors discussed above.

Cash and cash equivalents at the end of Q3 2022 totaled $305.9 million compared to $174.0 million at the end of Q3 2021. In the last twelve months, the Company has repaid its $75.0 million term loan and funded the acquisition of CYC for $32.9 million. The Company currently has zero drawn on its revolving credit facility.

Inventory at end of Q3 2022 was $176.9 million, compared to $138.1 million at the end of Q3 2021. The Company continues to maintain a healthy inventory position despite global supply chain disruptions.

Capital cash expenditures (net of proceeds from lease incentives) were $20.3 million in Q3 2022, compared to $10.4 million in Q3 2021.

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

(in thousands of Canadian dollars)	Q3 2022	Q3 2021
Cash used in investing activities	$ 22,336	$ 12,434
Proceeds from deferred tenant inducement allowances	(2,018)	(2,051)
Capital cash expenditures (net of proceeds from lease incentives)	$ 20,318	$ 10,383

Analysis of Results for YTD 2022

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	YTD 2022		YTD 2021	
Net revenue	$ 1,050,308	100.0%	$ 589,798	100.0%
Cost of goods sold	574,862	54.7%	380,218	64.5%
Gross profit	475,446	45.3%	209,580	35.5%
Operating expenses				
Selling, general and administrative	272,581	26.0%	178,369	30.2%
Stock-based compensation expense	20,406	1.9%	6,498	1.1%
Income from operations	182,459	17.4%	24,713	4.2%
Finance expense	19,110	1.8%	21,956	3.7%
Other income	(9,523)	(0.9%)	(1,405)	(0.2%)
Income before income taxes	172,872	16.5%	4,162	0.7%
Income tax expense	50,180	4.8%	1,005	0.2%
Net income	$ 122,692	11.7%	$ 3,157	0.5%
Adjusted EBITDA[(1)]	$ 223,082	21.2%	$ 41,607	7.1%
Adjusted Net Income[(1)]	$ 137,261	13.1%	$ 8,350	1.4%
Adjusted Net Income[(1)] per Diluted Share	$ 1.19		$ 0.07	

Net revenue increased by 78.1% to $1.1 billion, compared to $589.8 million in YTD 2021. The Company has seen an unprecedented acceleration of sales in the United States, where net revenues increased by 144.5% to $459.3 million compared to $187.9 million in YTD 2021.

Gross profit increased by 126.9% to $475.4 million, compared to $209.6 million in YTD 2021. Gross profit margin was 45.3%, compared to 35.5% in YTD 2021. The improvement in gross profit margin was primarily due to leverage on occupancy costs, the strengthening of the Canadian dollar and lower markdowns, partially offset by lower rent abatements and higher freight costs as a result of global supply chain disruptions.

SG&A expenses increased by 52.8% to $272.6 million, compared to $178.4 million in YTD 2021. SG&A expenses were 26.0% of net revenue, compared to 30.2% in YTD 2021. Excluding the benefit of government payroll subsidies, the increase in SG&A expenses was 36.2%. The increase in SG&A expenses was primarily due to variable selling costs associated with the increase in revenue and continued investment in talent and technology.

Other income was $9.5 million, compared to $1.4 million in YTD 2021.

Other income of $9.5 million in YTD 2022 primarily relates to:
- unrealized gains on equity derivative contracts of $12.2 million,
- interest and other income of $1.1 million and
- unrealized and realized operational foreign exchange gains of $1.3 million, partially offset by
- transaction costs relating to the acquisition of CYC of $2.6 million,
- fair value adjustments of NCI in exchangeable shares liability of $2.0 million and
- transaction costs relating to the Secondary Offering of $0.5 million.

Other income of $1.4 million in YTD 2021 primarily related to:
- unrealized gains on equity derivative contracts of $1.1 million and

— interest and other income of $1.0 million, partially offset by
— unrealized and realized operational foreign exchange losses of $0.7 million.

Adjusted EBITDA[(1)] was $223.1 million, or 21.2% of net revenue, compared to $41.6 million, or 7.1% of net revenue in YTD 2021. The increase in Adjusted EBITDA as a percentage of net revenue was primarily due to a 78.1% increase in net revenue, partially offset by the Company's continued investment in talent and technology.

Stock-based compensation expense was $20.4 million, compared to $6.5 million in YTD 2021.

Included in YTD 2022 is $13.0 million in expenses related to the accounting for the Company's deferred, preferred and restricted share units and $7.4 million in expenses primarily related to the accounting for options under the Company's new option plan.

Included in YTD 2021 is $3.9 million in expenses primarily related to the accounting for options under the Company's new option plan, $0.5 million in expenses related to the accounting for options under the Company's legacy option plan and $2.1 million in expenses related to the accounting for the Company's deferred and restricted share units.

Finance expense decreased by $2.9 million to $19.1 million, compared to $22.0 million in YTD 2021. The decrease in finance expense was primarily due to a reduction in interest expense from having repaid the term loan of $75.0 million during Q2 2022 and no amounts drawn on the revolving credit facility compared to YTD 2021, along with lower interest expense on lease liabilities in YTD 2022.

Depreciation and amortization increased by $4.9 million to $82.9 million, compared to $78.0 million in YTD 2021.

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

(in thousands of Canadian dollars)	**YTD 2022**	**YTD 2021**
Depreciation and amortization	$ 32,459	$ 28,148
Depreciation on right-of-use assets	50,465	49,868
Total depreciation and amortization	$ 82,924	$ 78,016

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 YTD 2022 and YTD 2021 were 26.6% and 26.7%, respectively.

Income tax expense was $50.2 million, compared to $1.0 million in YTD 2021 and the effective tax rates for YTD 2022 and YTD 2021 were 29.0% and 24.1%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $122.7 million, compared to $3.2 million in YTD 2021. The increase in net income was primarily due to a 78.1% increase in net revenue, partially offset by the Company's continued investment in talent and technology.

Adjusted Net Income [(1)] was $137.3 million, compared to $8.4 million in YTD 2021, primarily due to the factors discussed above.

Adjusted Net Income [(1)] **per Diluted Share** was $1.19, compared to $0.07 in YTD 2021, primarily due to the factors discussed above.

Capital cash expenditures (net of proceeds from lease incentives) were $36.2 million in YTD 2022, compared to $33.1 million in YTD 2021.

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

(in thousands of Canadian dollars)	YTD 2022	YTD 2021
Cash used in investing activities	$ 78,842	$ 39,480
Acquisition of CYC, net of cash acquired	(32,555)	-
Proceeds from deferred tenant inducement allowances	(10,114)	(6,366)
Capital cash expenditures (net of proceeds from lease incentives)	$ 36,173	$ 33,114

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 facility, 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”, “Subsequent Event” 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 revolving credit facility.

Credit Facility

As at November 28, 2021, we have a $175.0 million revolving credit facility. No amounts were drawn on the revolving credit facility as at November 28, 2021. See the “Recent Events” section of this MD&A.

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

See “Contractual Obligations – Off-Balance Sheet Arrangements and Commitments” for letters of credit issued.

The credit facility 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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Net cash generated from operating activities	$ 209,471	$ 96,301	$ 347,734	$ 126,556
Net cash used in financing activities	(14,542)	(116,389)	(114,036)	(28,983)
Net cash used in investing activities	(22,336)	(12,434)	(78,842)	(39,480)
Effect of exchange rate changes on cash and cash equivalents	1,543	(696)	1,929	(1,807)
Change in cash and cash equivalents	$ 174,136	$ (33,218)	$ 156,785	$ 56,286

Analysis of Cash Flows for the Third Quarter and YTD 2022

Cash Flows Generated from Operating Activities

For Q3 2022, cash flows generated from operating activities totaled $209.5 million, compared to $96.3 million in Q3 2021. This change was primarily attributable to an increase in income from operations and lower use of working capital due to the timing of payments.

For YTD 2022, cash flows generated from operating activities totaled $347.7 million, compared to $126.6 million in YTD 2021. This change was primarily attributable to an increase in income from operations and lower use of working capital due to the timing of payments, partially offset by an increase in income taxes paid.

Cash Flows Used in Financing Activities

For Q3 2022, cash flows used in financing activities totaled $14.5 million, compared to cash flows of $116.4 million in Q3 2021. Financing activities in Q3 2022 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from options exercised. Financing activities in Q3 2021 primarily relate to the repayment of $100.0 million of the Revolving Credit Facility and the repayment of principal on lease liabilities.

For YTD 2022, cash flows used in financing activities totaled $114.0 million, compared to $29.0 million in YTD 2021. Financing activities in YTD 2022 primarily relate to a $75.0 million term loan repayment and the repayment of principal on lease liabilities, partially offset by proceeds received from options exercised. Financing activities in YTD 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.

Cash Flows Used in Investing Activities

For Q3 2022, cash flows used in investing activities totaled $22.3 million, compared to $12.4 million in Q3 2021. Investing activities in Q3 2022 and Q3 2021 primarily relate to new boutiques and boutique expansions and repositions.

For YTD 2022, cash flows used in investing activities totaled $78.8 million, compared to $39.5 million in YTD 2021. Investing activities in YTD 2022 primarily relate to the acquisition of CYC, net of cash assumed of $32.6 million and new boutiques and boutique expansions and repositions. Investing activities in YTD 2021 relate to new boutiques and boutique expansions and repositions.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at November 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	$ 216,202	$ -	$ -	$ 216,202
Lease liabilities	108,195	342,357	140,065	590,617
Contingent consideration	6,619	6,618	-	13,237
Non-controlling interest in exchangeable shares liability	-	-	35,500	35,500
Minimum lease commitments with future commencement dates	1,869	46,151	64,567	112,587
Total contractual obligations and commitments	$ 332,885	$ 395,126	$ 240,132	$ 968,143

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at November 28, 2021, we had purchase obligations of $113.9 million, which represent commitments for fabric expected 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 November 28, 2021, letters of credit totaling $41.4 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 November 28, 2021.

FINANCIAL INSTRUMENTS

In connection with the acquisition of CYC, we entered into two financial instruments that will be revalued on a recurring basis in the financial statements: contingent consideration and non-controlling interest in exchangeable shares liability. Changes in the fair value of these two financial instruments are recorded in net income.

Contingent consideration

We have a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at November 28, 2021, the Company recorded a contingent consideration liability of $13.2 million.

Non-controlling interest in exchangeable shares liability

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

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

As at November 28, 2021, the fair value of the non-controlling interest in exchangeable shares liability was $35.5 million.

Equity derivative contracts

We have equity derivative contracts to hedge the share price exposure on our 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 November 28, 2021, the equity derivative contracts had a positive fair value of $16.6 million which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During Q3 2022 and YTD 2022, we made payments of $1.2 million and $3.6 million, respectively (Q3 2021 and YTD 2021 - $1.1 million and $3.1 million, respectively) for lease of premises and management services and $0.1 million and $0.4 million, respectively (Q3 2021 and YTD 2021 - $0.3 million and $0.6 million, respectively) 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 November 28, 2021, the outstanding balance of lease liabilities owed to these companies was $14.0 million (February 28, 2021 - $11.6 million). As at November 28, 2021, $0.1 was included in accounts payable and accrued liabilities (February 28, 2021 - $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)	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Salaries, directors' fees and short-term benefits	$ 1,598	$ 1,248	$ 3,792	$ 3,305
Stock-based compensation expense	3,212	1,468	7,453	2,308
	$ 4,810	$ 2,716	$ 11,245	$ 5,613

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.

Derivative Assets and Liabilities

Our equity derivative contracts, contingent consideration and non-controlling interest in exchangeable shares liability are classified as fair value through profit or loss ("FVTPL").

Derivative assets and liabilities require management to use judgment in determining the most appropriate inputs, including estimates and assumptions with respect to the fair value of the underlying asset and liability.

Contingent consideration requires management to use judgment in determining the anticipated amounts that will be paid to the selling shareholders based on the future earnings of the acquired subsidiary.

Non-controlling interest in exchangeable shares liability requires management to use judgment in determining the fair value of the obligation. The fair value estimate includes inputs associated with expected volatility, anticipated timing and discount rate associated with the obligation.

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.

Business Combinations

Business combinations require judgment in applying the acquisition method of accounting and estimates to value identifiable assets and liabilities at the acquisition date. We may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Estimates are used to determine cash flow

projections, including the period of future benefit, and future growth and discount rates, among other factors. The values place on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

SIGNIFICANT NEW ACCOUNTING STANDARDS

Standards Issued But Not Yet Adopted

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

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

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed, and not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted and are to be applied prospectively. The Company is currently assessing the potential impact of these amendments.

Financial Instruments (Amendments to IFRS 9)

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies which fees should be included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments.

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, which was repaid in Q2 2022.

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 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

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. 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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in Q3 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of January 11, 2022, an aggregate of 88,866,274 subordinate voting shares, 21,937,349 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 Brian Hill, our principal shareholder, Founder and Chief Executive Officer. As of January 11, 2022, an aggregate of 8,883,072 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 2022			Fiscal 2021				Fiscal 2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial Summary:								
Net revenue	$ 453,323	$ 350,069	$ 246,916	$ 267,525	$ 278,254	$ 200,155	$ 111,389	$ 275,430
Cost of goods sold	243,181	193,873	137,808	164,600	152,171	129,719	98,328	172,589
Gross profit	210,142	156,196	109,108	102,925	126,083	70,436	13,061	102,841
SG&A	110,084	92,115	70,382	72,357	74,707	60,151	43,511	64,331
Income (loss) from operations	90,949	55,819	35,691	26,375	48,004	8,138	(31,429)	36,099
Net income (loss)	64,941	39,848	17,903	16,070	30,502	(874)	(26,471)	21,715
Net income (loss) per share	$ 0.59	$ 0.36	$ 0.16	$ 0.15	$ 0.28	$ (0.01)	$ (0.24)	$ 0.20
Net income (loss) per Diluted Share	$ 0.56	$ 0.35	$ 0.16	$ 0.14	$ 0.27	$ (0.01)	$ (0.24)	$ 0.19
Adjusted EBITDA [4]	$ 109,289	$ 72,891	$ 40,902	$ 35,205	$ 54,565	$ 12,274	$ (25,232)	$ 42,375
Adjusted Net Income (Loss)[4]	$ 71,199	$ 44,411	$ 21,651	$ 17,678	$ 32,188	$ 1,034	$ (24,872)	$ 23,428
Adjusted Net Income (Loss)[4] per Diluted Share	$ 0.61	$ 0.39	$ 0.19	$ 0.16	$ 0.29	$ 0.01	$ (0.23)	$ 0.21
Weighted average number of Diluted Shares (in thousands)[5]	116,140	115,265	114,711	114,052	112,903	112,550	109,353	113,120
Cash and cash equivalents	$ 305,932	$ 131,796	$ 157,878	$ 149,147	$ 174,036	$ 207,254	$ 224,313	$ 117,750
Capital cash expenditures (net of proceeds from lease incentives)	$ 20,318	$ 9,333	$ 6,522	$ 9,415	$ 10,383	$ 10,586	$ 12,145	$ 9,732
Free cash flow	$ 169,704	$ 77,347	$ 11,933	$ (24,936)	$ 68,387	$ (15,200)	$ 8,055	$ 20,656
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	53.6%	55.4%	55.8%	61.5%	54.7%	64.8%	88.3%	62.7%
Gross profit	46.4%	44.6%	44.2%	38.5%	45.3%	35.2%	11.7%	37.3%
SG&A	24.3%	26.3%	28.5%	27.0%	26.8%	30.1%	39.1%	23.4%
Income (loss) from operations	20.1%	15.9%	14.5%	9.9%	17.3%	4.1%	(28.2%)	13.1%
Net income (loss)	14.3%	11.4%	7.3%	6.0%	11.0%	(0.4%)	(23.8%)	7.9%
Adjusted EBITDA [4]	24.1%	20.8%	16.6%	13.2%	19.6%	6.1%	(22.7%)	15.4%
Adjusted Net Income (Loss)[4]	15.7%	12.7%	8.8%	6.6%	11.6%	0.5%	(22.3%)	8.5%
Other Performance Metrics:								
Net revenue growth	62.9%	74.9%	121.7%	(2.9%)	4.1%	(17.0%)	(43.4%)	6.3%
Comparable sales growth[4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.9%
Boutiques:								
Number of boutiques, beginning of period	104	102	101	101	97	97	96	94
New boutiques added	1	2	1	1	5	-	1	2
Repositioned to a flagship boutique	-	-	-	(1)	-	-	-	-
Boutique temporarily closed due to mall redevelopment	-	-	-	-	(1)	-	-	-
Number of boutiques, end of period	105	104	102	101	101	97	97	96
Boutiques expanded or repositioned	4	1	-	-	2	1	-	-

Notes:

(4) 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".

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