ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 27, 2022

May 5, 2022

The following Management's Discussion and Analysis ("MD&A") dated May 5, 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 fifty-two week periods ended February 27, 2022. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes Fiscal 2022 (as hereinafter defined).

FORWARD-LOOKING INFORMATION

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry, in light of its experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. These statements may relate to our future financial outlook, our leadership transition and its impact on our business, people and growth, our plans relating to our distribution facilities and digital infrastructure, 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, geopolitical risks, inflationary pressures and labour shortages, repurchases under our normal course issuer bid, our outlook for: (i) net revenue in the first quarter of Fiscal 2023, (ii) net revenue in Fiscal 2023, (iii) gross profit margin in Fiscal 2023, (iv) SG&A as a percent of net revenue in Fiscal 2023, (v) net capital expenditure in Fiscal 2023 and (vi) new boutiques and expansion or repositioning of existing boutiques in Fiscal 2023 . 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 "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent our expectations, estimates and projections regarding future events or circumstances.

Implicit in forward-looking statements in respect of the Company's expectations for: (i) net revenue of approximately $375 million for the first quarter of fiscal 2023, representing just over a 50% increase compared to last year, (ii) net revenue of approximately $1.8 billion in Fiscal 2023, representing an increase of approximately 20% from Fiscal 2022, (iii) gross profit margin to decrease by approximately 100 bps compared to last year, (iv) SG&A as a percent of net revenue to increase approximately 50 bps to 100 bps compared to last year and (v) net capital expenditures in the range of $110 million to $120 million, 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 2023. Specifically, we have assumed the following exchange rates for Fiscal 2023: 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, commodity market, inflation, interest rates, global supply chains, operational, and liquidity risks generally; (f) geopolitical events; and (g) 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 5, 2022 for Fiscal 2022 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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

BASIS OF PRESENTATION

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

All references in this MD&A to "Q4 2022" are to our 13-week period ended February 27, 2022, to "Q4 2021" are to our 13-week period ended February 28, 2021 and to "Q1 2023" are to our 13-week period ended May 29, 2022. 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, to "Fiscal 2020" are to our 52-week period ended March 1, 2020 and to "Fiscal 2023" are to our 52-week period ending February 26, 2023.

The audited annual consolidated financial statements and accompanying notes for Fiscal 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, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style that endures and inspires — all with the wellbeing of our People and Planet in mind. We call this Everyday Luxury.

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

Everyday Luxury. To Elevate Your World.™

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 $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, Fiscal 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.

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. During Fiscal 2022, the Company repurchased 164,200 Shares for cancellation at an average price of $54.79 per subordinate voting share for total cash consideration of $9.0 million.

Appointment of Daniel Habashi to the Board of Directors

On January 12, 2022, the Company 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 has 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 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 the first quarter in Fiscal 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 the first quarter of Fiscal 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 the first quarter of Fiscal 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 the second quarter of Fiscal 2021. Sales in our boutiques were exceptional, exceeding pre-pandemic levels with comparable sales growing[(1)] 14% from two years ago in the second quarter of Fiscal 2020.

Third quarter Fiscal 2022

For the first time since the start of the pandemic, all of our boutiques were open for the entire duration of the quarter. 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 the third quarter of Fiscal 2021. Our retail revenue increased by 72% over the same period last year, achieving comparable sales growth[(1)] of 58% compared to last year, while continuing to exceed pre-pandemic levels with comparable sales[(1)] growth of 26% from two years ago in the third quarter of Fiscal 2020.

Fourth quarter Fiscal 2022

Our strong performance continued, with all of our boutiques opened, despite the emergence of the COVID-19 Omicron variant and reintroduction of capacity restrictions in our Ontario and Quebec boutiques. Our net revenues for the fourth quarter grew 66% over the same period last year, driven by ongoing strength in our business across all geographies and all channels. Revenue growth in the United States increased 109% over the same period last year, representing 49% of our total revenue in the fourth quarter. Our eCommerce business grew 21% on top of a strong 81% increase in Q4 2021. Our retail revenue increased by 123% over the same period last year, achieving comparable sales growth[(1)] of 60% compared to last year, while continuing to exceed pre-pandemic levels with comparable sales growth[(1)] of 13% from two years ago in the fourth quarter of Fiscal 2020.

In addition, we undertook initiatives in support of our people during the pandemic, including paying $25 million in Fiscal 2021 and $7 million in Fiscal 2022 through the Aritzia Community™ Relief Fund to ensure financial continuity for our people during boutique closures and to enable seamless boutique reopening.

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.

Q4 2022

- **Net revenue** increased 66.1% to $444.3 million from Q4 2021
- **USA revenue** increased by 108.8% to $216.8 million from Q4 2021 and 127.9% from Q4 2020, comprising 48.8% of net revenue in Q4 2022
- **eCommerce revenue** increased by 21.4% to $182.0 million from Q4 2021, comprising 41.0% of net revenues in Q4 2022
- **Retail revenue** increased by 123.0% to $262.4 million from Q4 2021, achieving comparable sales growth(1) of 60% compared to Q4 2021
- **Gross profit margin**(1) increased to 40.4% from 38.5% in Q4 2021
- **Net income** increased to $34.2 million, from $16.1 million in Q4 2021
- **Adjusted EBITDA**(1) increased to $66.3 million from $35.2 million in Q4 2021
- **Adjusted Net Income**(1) of $0.34 per diluted share, compared to $0.16 per diluted share in Q4 2021

Fiscal 2022

- **Net revenue** increased 74.3% to $1.5 billion, compared to $857.3 million in Fiscal 2021
- **USA revenue** increased by 131.8% to $676.1 million from Fiscal 2021 and 100.3% from Fiscal 2020, comprising 45.2% of net revenue in Fiscal 2022
- **eCommerce revenue** increased by 32.5% to $564.3 million from Fiscal 2021, comprising 37.8% of net revenues in Fiscal 2022
- **Retail revenue** increased by 115.6% to $930.3 million from Fiscal 2021
- **Gross profit margin**(1) increased to 43.8% from 36.5% in Fiscal 2021
- **Net income** increased to $156.9 million from $19.2 million in Fiscal 2021
- **Adjusted EBITDA**(1) increased to $289.4 million from $76.8 million in Fiscal 2021
- **Adjusted Net Income** (1) of $1.53 per diluted share, compared to $0.23 per diluted share in Fiscal 2021

Strategic Accomplishments for Fiscal 2022

- Grew active US clients by over 100% in the 12 month period
- Achieved 131.8% growth in USA revenue, through strength in both our boutiques and eCommerce
- Drove continued momentum growing eCommerce revenue by 32.5% on top of 88.3% growth last year, to comprise 37.8% of net revenue in fiscal 2022
- Strategically managed global supply chain disruptions to ensure product availability to meet demand
- Opened six new boutiques and repositioned six existing boutiques in premier real estate locations
- Launched store inventory visibility, digital gift cards and other digital capabilities as we accelerated investments across infrastructure and talent to support future growth
- Advanced initiatives to support Aritzia’s communities, cultivate diversity and enhance sustainability

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

OUTLOOK

The Company’s strong momentum continued into the first quarter of fiscal 2023. Aritzia is on-track to deliver net revenue of approximately $375 million, representing just over a 50% increase compared to last year. This reflects continued strength in the United States across both its retail and eCommerce channels, as well as, strong recovery of the Company’s business in Canada. This revenue range for the first quarter reflects all boutiques opened with no COVID-19 related restrictions in place, compared to last year when 50% or 34 of the Company’s boutiques in Canada were mandated to close for approximately two-thirds of the quarter.

For fiscal 2023, Aritzia currently expects the following:

- Net revenue of approximately $1.8 billion, representing an increase of approximately 20% from fiscal 2022. This is led by continued strength in the Company’s business in the United States across both channels, as well as

continued growth in Canada driven by its eCommerce business and recovery in its boutiques, and contribution from its retail expansion with:
    - Eight to ten new boutiques with all but one in the United States, including Forum Shops in Las Vegas and Aventura Mall in Miami already opened; and
    - Four to five boutique expansions or repositions, including three to four locations in Canada and one in the United States.
- Gross profit margin to decrease by approximately 100 bps compared to last year, reflecting ongoing impacts from global supply chain disruptions, inflationary pressure, and discontinued COVID relief subsidies;
- SG&A as a percent of net revenue to increase approximately 50 bps to 100 bps compared to last year, reflecting ongoing investments to fuel our future growth;
- Net capital expenditures in the range of $110 million to $120 million, comprised of:
    - Boutique network growth,
    - New distribution centre in the Greater Toronto area, and
    - Ongoing investments in technology, infrastructure to enhance the Company's eCommerce capabilities and omni-channel experience, and support office expansion.

The foregoing outlook is based on management's current strategies and may be considered forward-looking information under applicable securities laws. Such outlook is based on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment as well as further COVID-19 resurgences. Readers are cautioned that actual results may vary. See also the "Forward-Looking Information" and "Risk Factors" sections of this MD&A and in our AIF.

SELECTED FINANCIAL INFORMATION

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below has been derived from our audited annual consolidated financial statements and related notes. The selected consolidated financial information set out below for Q4 2022 and Q4 2021 is unaudited.

Selected Consolidated Financial Information

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Financial Summary:				
Net revenue	$ 444,322	$ 267,525	$ 1,494,630	$ 857,323
Cost of goods sold	264,816	164,600	839,678	544,818
Gross profit	179,506	102,925	654,952	312,505
Operating expenses				
Selling, general and administrative	120,221	72,357	392,802	250,726
Stock-based compensation	5,725	4,193	26,131	10,691
Income from operations	53,560	26,375	236,019	51,088
Finance expense	6,092	6,464	25,202	28,420
Other expense (income)	740	(2,129)	(8,783)	(3,534)
Income before income taxes	46,728	22,040	219,600	26,202
Income tax expense	12,503	5,970	62,683	6,975
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Net income per diluted share	$ 0.29	$ 0.14	$ 1.36	$ 0.17
Adjusted EBITDA[(2)]	$ 66,303	$ 35,205	$ 289,385	$ 76,812
Adjusted Net Income [(2)]	$ 39,475	$ 17,678	$ 176,736	$ 26,028
Adjusted Net Income [(2)] per Diluted Share	$ 0.34	$ 0.16	$ 1.53	$ 0.23
Weighted average number of diluted shares outstanding (thousands)	116,774	114,052	115,784	112,844
Cash and cash equivalents	$ 265,245	$ 149,147	$ 265,245	$ 149,147
Capital cash expenditures (net of proceeds from lease incentives)[(2)]	$ (16,434)	$ (9,415)	$ (52,607)	$ (42,529)
Free cash flow[(2)]	$ (37,047)	$ (24,936)	$ 221,937	$ 36,306
Percentage of Net Revenue:				
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	59.6%	61.5%	56.2%	63.5%
Gross profit	40.4%	38.5%	43.8%	36.5%
Operating expenses				
Selling, general and administrative	27.1%	27.0%	26.3%	29.2%
Stock-based compensation expense	1.3%	1.6%	1.7%	1.2%
Income from operations	12.1%	9.9%	15.8%	6.0%
Finance expense	1.4%	2.4%	1.7%	3.3%
Other expense (income)	0.2%	(0.8%)	(0.6%)	(0.4%)
Income before income taxes	10.5%	8.2%	14.7%	3.1%
Income tax expense	2.8%	2.2%	4.2%	0.8%
Net income	7.7%	6.0%	10.5%	2.2%
Adjusted EBITDA[(2)]	14.9%	13.2%	19.4%	9.0%
Adjusted Net Income [(2)]	8.9%	6.6%	11.8%	3.0%
Other Performance Metrics:				
Year-over-year net revenue growth (decline)	66.1%	(2.9%)	74.3%	(12.6%)
Comparable sales growth[(2)]	n/a	n/a	n/a	n/a
Boutiques:				
Number of boutiques, end of period	106	101	106	101
New boutiques	2	1	6	7
Repositioned to flagship boutique	-	(1)	-	(1)
Boutique closure	(1)	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	-	(1)
Boutiques expanded or repositioned	1	-	6	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)	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Depreciation and amortization	12,110	10,723	44,569	38,871
Depreciation on right-of-use assets	17,593	16,410	68,058	66,278
Finance expense	6,092	6,464	25,202	28,420
Income tax expense	12,503	5,970	62,683	6,975
EBITDA	82,523	55,637	357,429	159,771
Adjustments to EBITDA:				
Stock-based compensation expense	5,725	4,193	26,131	10,691
Rent impact from IFRS 16, Leases[(3)]	(22,939)	(21,985)	(90,048)	(89,949)
Unrealized loss (gain) on equity derivative contracts	994	(2,640)	(11,192)	(3,701)
Fair value adjustment of NCI in exchangeable shares liability	-	-	2,000	-
Fair value adjustment for inventories acquired in CYC	-	-	1,902	-
Acquisition costs of CYC	-	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Adjusted EBITDA	66,303	35,205	289,385	76,812
Adjusted EBITDA as a percentage of net revenue	14.9%	13.2%	19.4%	9.0%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Adjustments to net income:				
Stock-based compensation expense	5,725	4,193	26,131	10,691
Unrealized loss (gain) on equity derivatives contracts	994	(2,640)	(11,192)	(3,701)
Fair value adjustment of NCI in exchangeable shares liability	-	-	2,000	-
Fair value adjustment for inventories acquired in CYC	-	-	1,902	-
Acquisition costs of CYC	-	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Related tax effects	(1,469)	55	(2,185)	(189)
Adjusted Net Income	$ 39,475	$ 17,678	$ 176,736	$ 26,028
Adjusted Net Income as a percentage of net revenue	8.9%	6.6%	11.8%	3.0%
Weighted Average Number of Diluted Shares Outstanding (thousands)	116,774	114,052	115,784	112,844
Adjusted Net Income per Diluted Share	$ 0.34	$ 0.16	$ 1.53	$ 0.23

Note (3) Rent Impact from IFRS 16, Leases	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Depreciation of right-of-use assets, excluding fair value adjustments	$ (17,460)	$ (16,410)	$ (67,702)	$ (66,278)
Interest expense on lease liabilities	(5,479)	(5,575)	(22,346)	(23,671)
Rent impact from IFRS 16, Leases	$ (22,939)	$ (21,985)	$ (90,048)	$ (89,949)

The following table reconciles cash used in investing activities to capital cash expenditures (net of proceeds from lease incentives) for the periods indicated.

(in thousands of Canadian dollars)	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Reconciliation of Cash Used in Investing Activities to Capital Cash Expenditures (Net of Proceeds From Lease Incentives):				
Cash used in investing activities	$ (20,734)	$ (11,368)	$ (99,576)	$ (50,848)
Acquisition of CYC Design Corporation, net of cash acquired	-	-	32,555	-
Proceeds from lease incentives	4,300	1,953	14,414	8,319
Capital cash expenditures (net of proceeds from lease incentives)	$ (16,434)	$ (9,415)	$ (52,607)	$ (42,529)

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

(in thousands of Canadian dollars)	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Reconciliation of Net Cash Generated from Operating Activities to Free Cash Flow:				
Net cash generated from operating activities	$ 733	$ 5,438	$ 338,353	$ 125,628
Interest paid on credit facilities	613	890	2,491	4,651
Proceeds from lease incentives	4,300	1,953	14,414	8,319
Repayments of principal on lease liabilities	(21,959)	(21,849)	(66,300)	(51,444)
Purchase of property, equipment and intangible assets	(20,734)	(11,368)	(67,021)	(50,848)
Free cash flow	$ (37,047)	$ (24,936)	$ 221,937	$ 36,306

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

Selected Consolidated Financial Information

(in thousands of Canadian dollars)	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks
Net revenue	$ 1,494,630	$ 857,323	$ 980,589
Net income	156,917	19,227	90,594
Net income per share			
Basic	1.42	0.18	0.84
Diluted	1.36	0.17	0.81

Selected Consolidated Financial Position Data

(in thousands of Canadian dollars)	As at February 27, 2022	As at February 28, 2021	As at March 1, 2020
Total assets	$ 1,424,586	$ 1,140,737	$ 1,036,715
Total non-current liabilities	506,450	531,279	550,807

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

Our exclusive fashion brands offer 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.

Exclusive brands currently represent over 96% of Aritzia’s net revenue. Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, shorts, skirts, dresses, denim, intimates, swimwear, accessories, and men’s wear (resulting from our acquisition of CYC) 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 our clients, producing strong and enduring client loyalty.

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 has allowed us to consolidate and manage all of our product development data and tools into a single place and improved our focus on innovation and product quality, increase speed to market where appropriate, and ultimately has optimized 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, Italy, Japan, 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 Cambodia, China, Peru, Portugal, Romania, Sri Lanka and Vietnam. 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. We have implemented and enforce a Supplier Code of Conduct and initiatives to increase transparency with respect to the origins of our raw materials.

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, Super World, 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.

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).

	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
Number of boutiques, beginning of period	105	101	101	96
New boutiques	2	1	6	7
Repositioned to a flagship boutique	-	(1)	-	(1)
Boutique closure	(1)	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	-	(1)
Number of boutiques, end of period	106	101	106	101
Boutiques expanded or repositioned	1	-	6	3

In addition, CYC had four boutiques as at February 27, 2022.

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 store inventory visibility to allow clients to pre-shop our boutiques. Our clients have responded positively and as a result, we are seeing an

improvement in retail sales driven from store inventory visibility as well as a reduction in call volume to our Concierge team regarding store inventory availability. We are now focusing our efforts on buy online, ship from store, buy online, pickup from store and omni order history. Due to the growth of our omni-channel client base, we anticipate significant benefit from the evolution of these omni services.

- *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. We have begun to customize merchandising and content experience based on geography and climate and will continue to evolve personalized experiences into Fiscal 2023. We are planning on leveraging personalization technology in Fiscal 2023 which will allow us to be more targeted and nimble as we scale our capabilities.
- *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 discovery, evaluating, and purchase are continuously improved resulting in increased conversion rate and average order value. We have also re-set our optimization program, embedding a culture of test and learn on how we go to market with new features and capabilities. For example, we have tested the optimal placement of visual size and fit guides on our category and product pages.

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. We have started retro-fitting work in our New Westminster, British Columbia and Columbus, Ohio distribution centres in order to expand capability and capacity to accommodate the surge of eCommerce growth without having to add more space. 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 Fiscal 2022 we broke ground on a new facility that we will be operating in Vaughan, Ontario. This new facility will be in-sourced and will replace our existing 150,000 square feet distribution centre operated by a third-party logistics provider with a new 552,300 square feet distribution centre operated by Aritzia. It is anticipated that the new facility will be operational by Fiscal 2024.

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.

Enterprise Management

Across the organization, we use SAP, a sophisticated enterprise resource planning system, to provide business process support and intelligence across customer, marketing, Concierge, merchandise planning, inventory

management, production, costing, order management, finance, accounting, reporting and analysis. As the backbone of our infrastructure, this system has the flexibility to support global and multi-channel expansion.

Clients – Omni Project

Our Omni Project builds on the foundation of our point-of-sale system and our investment in digital selling tools to enable omni-channel capabilities such as store inventory visibility, buy online, ship from store and buy online, pickup in store. The project includes multiple work streams spanning a store order fulfillment solution, the physical optimization of our backroom spaces, foundational order sourcing technology, and enhancements to our digital customer experience.

- Store Inventory Visibility – Launched in Fiscal 2022, this functionality enhances the client experience on aritzia.com by providing visibility of product availability in stores. This initiative drives cross-channel shopping behavior and reduces contacts to our Concierge team by enabling customers to self-serve on common product availability related questions.

- Buy Online, Ship From Store – Launching in Fiscal 2023, along with foundational systems to enable future omni channel capabilities. This new capability introduces store inventory online, ensuring our full product assortment is available on aritzia.com. It also enables strategic targeting of inventory across our network of boutiques and minimizes delivery time to our clients.

- Buy Online, Pickup In Store – Launching in Fiscal 2023, this functionality provides clients with the option to pick up their online order in store. Building on Store Inventory Visibility, this capability further integrates the online and in-store experiences leveraging the exceptional service in our boutiques to deliver an elevated, yet convenient experience.

We are also focused on improving the availability of fulfillment data and analytics. We believe that reporting optimizations and visibility into key performance indicators will help to set our boutique teams up to maintain accurate inventory and monitor performance on key fulfillment metrics.

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.

Boutiques

We utilize Oracle Retail as our point-of-sale system to facilitate client transactions and fulfill boutique-initiated orders across our network to provide a seamless shopping experience for our clients. We are currently working on a fulfilment app which will allow boutiques to fulfil eCommerce orders as well as enable buy online and pick up in-store capabilities.

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 2022 we launched store inventory visibility, digital e-gift cards, SuperWorld.com, personalized merchandising, and design enhancements and improvements throughout the client journey. We have seen a positive impact to our retail sales with the launch of store inventory visibility, as well as decreased call volume to our Concierge team regarding store inventory. Digital gift card adoption was immediate during holiday 2021 and clients received access to the gifts cards immediately, and we reduced operational costs as well as reduced packaging. Our SuperWorld.com online experience propelled our brand and allowed us to showcase the unique Super World brand aesthetic while distinguishing from the look and feel of aritzia.com. We saw improvements to our conversion rate driven by our thoughtful merchandising strategy, prioritizing relevant styles to shoppers based on our unique point of view and where clients live. Our branding and design evolution has also manifested itself online, creating a compelling and elevated look and feel that is consistent with our brand objectives.

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

Product

We utilize SAP technologies to manage our enterprise inventory system of record. In Fiscal 2021, we successfully completed and implemented Centric 8 PLM Software, a new Product Lifecycle Management System ("PLM"), to support our ongoing product expansion strategy. Supporting our Creative, Technical Development and Manufacturing teams, our PLM application is used to manage all of the data and support all of the processes to bring a product to market (from concept to commercialization). This system consolidates and centralizes all of our product development data and tools to improve our focus on innovation and product quality, increase speed to market where appropriate, and ultimately optimize manufacturing costs.

Distribution and Logistics

Blue Yonder is the primary system used in our distribution centre in New Westminster, British Columbia to support our fulfilment processes. We will also be using Blue Yonder in our new distribution centre in Vaughan, Ontario when it is operational. We continue to upgrade our warehouse management system to enhance our supply chain system flexibility and scalability to support our boutique and eCommerce growth initiatives.

Business Support

We utilize Workday as our human resource information system. This integrated platform supports strategic human capital decisions for our growing business.

In Fiscal 2021, we established a new Data & Analytics function to maximize the value of our data. Leveraging our existing investments and the capability of Google Cloud, we are building capacity across our people, processes and technology to further enhance efficiencies and decision making in our operations.

We continue to migrate our workloads to the cloud in order to scale our technology with our growing business and to provide greater resiliency and flexibility to support the business.

Furthermore, during COVID-19, we were able to effectively support the move to a flexible, remote business model; supporting initiatives and leveraging our systems in different ways. We continue to invest in identity and access management programs including multi-factor authentication technologies, and third-party company engagements to proactively monitor security, conduct penetration testing, and support compliance validation.

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

Environment, Social & Governance (ESG)

Aritzia recognizes that as a leader in the fashion industry and for our long-term success, we have a responsibility to continue to accelerate our ESG commitments and performance. To deliver Everyday Luxury, for today and tomorrow, we will strengthen the environmental and social contributions that amplify the positive impact Aritzia is making across our operations and wider value chain.

Our ESG priorities are distributed across our value chain from raw material sourcing and third-party manufacturing, our owned and directly operated boutiques, offices and distribution centres, through to our products' use and end of life impacts. We have prioritized efforts based on our material impacts and risks in line with The Sustainability Accounting Standards Board's reporting framework for the Apparel, Accessories and Footwear industry as well as Aritzia's internally conducted materiality assessment.

For a detailed discussion on ESG, refer to the "Environment, Social & Governance (ESG): Our Impacts and our Progress" section of the Company's AIF, which is available on SEDAR at *www.sedar.com*.

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 women's apparel industry is seasonal in nature, with a higher proportion of net revenue and operating income generated in 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).

Due to temporary boutique closures from COVID-19, which 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. Instead, we may make a temporary reference in this MD&A to retail comparable sales growth from established boutiques which is calculated as comparable sales growth with the exclusion of eCommerce revenue growth.

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.

Capital cash expenditures (net of proceeds from lease incentives) is a useful measure as we believe it is a more useful indicator of the net cash capital investment relating to our boutiques and infrastructure. We define capital cash expenditures (net of proceeds from lease incentives) as cash used in investing activities, excluding cash used in business combinations, less proceeds from lease incentives.

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 on credit facilities, plus proceeds from lease incentives, less repayments of principal on lease liabilities and cash used for the purchase of property, equipment and intangible assets.

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", "capital cash expenditures (net of proceeds from lease incentives)", and "free cash flow." This MD&A also makes reference to "gross profit margin" as well as "comparable sales growth", which are commonly used operating metrics in the retail industry but may be calculated differently compared to other retailers. Gross profit margin and comparable sales growth are considered supplementary measures under applicable securities laws. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. These non-IFRS measures, including retail industry metrics, are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including retail industry metrics, in the evaluation of issuers. Our management also uses non-IFRS measures, including retail industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

RESULTS OF OPERATIONS

Analysis of Results for Fourth Quarter Fiscal 2022

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2022		Q4 2021	
Net revenue	$ 444,322	100.0%	$ 267,525	100.0%
Cost of goods sold	264,816	59.6%	164,600	61.5%
Gross profit	179,506	40.4%	102,925	38.5%
Operating expenses				
Selling, general and administrative	120,221	27.1%	72,357	27.0%
Stock-based compensation	5,725	1.3%	4,193	1.6%
Income from operations	53,560	12.1%	26,375	9.9%
Finance expense	6,092	1.4%	6,464	2.4%
Other expense (income)	740	0.2%	(2,129)	(0.8%)
Income before income taxes	46,728	10.5%	22,040	8.2%
Income tax expense	12,503	2.8%	5,970	2.2%
Net income	$ 34,225	7.7%	$ 16,070	6.0%
Net income per diluted share	$ 0.29		$ 0.14	
Adjusted EBITDA[(1)]	$ 66,303	14.9%	$ 35,205	13.2%
Adjusted Net Income [(1)]	39,475	8.9%	17,678	6.6%
Adjusted Net Income [(1)] per Diluted Share	$ 0.34		$ 0.16	

Net revenue increased by 66.1% to $444.3 million, compared to $267.5 million in Q4 2021. The Company continues to see an unprecedented acceleration of sales in the United States, where net revenues increased by 108.8% to $216.8 million, compared to $103.8 million in Q4 2021.

- **eCommerce revenue** increased by 21.4% to $182.0 million, compared to $149.9 million in Q4 2021. The Company's eCommerce business continued its momentum, building on the 81.1% increase in Q4 2021.
- **Retail revenue** increased by 123.0% to $262.4 million, compared to $117.7 million in Q4 2021. The increase in revenue was led by outstanding performance of our comparable and new boutiques in the United States, strong double digit comparable sales growth[(1)] in Canada, as well as boutique revenue from 39 of our boutiques which were closed for the majority of Q4 2021. Boutique count at the end of Q4 totaled 106 compared to 101 boutiques at the end of Q4 2021.

The following table provides net revenue by channel and geographic location for the periods indicated.

(in thousands of Canadian dollars)	Q4 2022	Q4 2021
eCommerce revenue	$ 181,968	$ 149,864
Retail revenue	262,354	117,661
Net revenue	$ 444,322	$ 267,525

	Q4 2022	Q4 2021
Canada	$ 227,524	$ 163,681
United States	216,798	103,844
Net revenue	$ 444,322	$ 267,525

Gross profit increased by 74.4% to $179.5 million, compared to $102.9 million in Q4 2021. Gross profit margin was 40.4%, compared to 38.5% in Q4 2021. The improvement in gross profit margin was primarily due to leverage on occupancy costs, lower markdowns, and the strengthening of the Canadian dollar, partially offset by higher expedited freight costs as a result of global supply chain disruptions.

SG&A expenses increased by 66.1% to $120.2 million, compared to $72.4 million in Q4 2021. SG&A expenses were 27.1% of net revenue, compared to 27.0% in Q4 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, technology, and marketing initiatives.

Depreciation and amortization increased by $2.6 million to $29.7 million, compared to $27.1 million in Q4 2021.

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

(in thousands of Canadian dollars)	**Q4 2022**	**Q4 2021**
Depreciation and amortization	$ 12,110	$ 10,723
Depreciation on right-of-use assets	17,593	16,410
Total depreciation and amortization	$ 29,703	$ 27,133

Stock-based compensation expense was $5.7 million, compared to $4.2 million in Q4 2021.

Included in Q4 2022 is $3.0 million in expenses related to the accounting for the Company's deferred, restricted, and performance share units and $2.7 million in expenses primarily related to the accounting for options under the Company's long-term incentive plan (the "Omnibus Plan").

We use equity derivative contracts to offset our cash flow variability of the expected payment associated with our deferred and restricted share units. Unrealized gains and losses related to these equity derivative contracts are recorded in other (income) expense.

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

Finance expense decreased by $0.4 million to $6.1 million, compared to $6.5 million in Q4 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 in Q2 2022.

Other expense was $0.7 million, compared to other income of $2.1 million in Q4 2021.

Other expense of $0.7 million in Q4 2022 primarily relates to:
- unrealized loss on equity derivative contracts of $1.0 million,
- unrealized and realized operational foreign exchange losses of $0.2 million, partially offset by
- interest and other income of $0.5 million

Other income of $2.1 million in Q4 2021 primarily related to:
- unrealized gain on equity derivative contracts of $2.6 million,
- interest income of $0.6 million, partially offset by
- unrealized and realized operational foreign exchange losses of $1.1 million.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Q4 2022 and Q4 2021 were 26.6% and 26.7%, respectively.

Income tax expense was $12.5 million, compared to $6.0 million in Q4 2021 and the effective tax rates for Q4 2022 and Q4 2021 were 28.0% and 27.1%, 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 $34.2 million, an increase of 113.0% compared to $16.1 million in Q4 2021. The increase in net income was primarily due to a 66.1% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

Net income per diluted share was $0.29, compared to $0.14 in Q4 2021, primarily due to the factors discussed above.

Adjusted EBITDA(1) was $66.3 million, or 14.9% of net revenue, an increase of 88.3% compared to $35.2 million, or 13.2% of net revenue in Q4 2021. The increase in Adjusted EBITDA as a percentage of net revenue was primarily due to a 66.1% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

Adjusted Net Income(1) was $39.5 million, an increase of 123.3% compared to $17.7 million in Q4 2021, primarily due to the factors discussed above.

Adjusted Net Income(1) **per Diluted Share** was $0.34, an increase of 112.5% compared to $0.16 in Q4 2021, primarily due to the factors discussed above.

Cash and cash equivalents at the end of Q4 2022 totaled $265.2 million compared to $149.1 million at the end of Q4 2021. In the last twelve months, the Company has repaid its $75.0 million term loan and funded initial payment of $32.9 million for the acquisition of CYC. The Company currently has zero drawn on its revolving credit facility.

Inventory at end of Q4 2022 was $208.1 million, compared to $171.8 million at the end of Q4 2021. The Company continues to manage its inventory position to meet demand despite global supply chain disruptions.

Capital cash expenditures (net of proceeds from lease incentives)(1) were $16.4 million in Q4 2022, compared to $9.4 million in Q4 2021.

Analysis of Results for Fiscal 2022

Consolidated Statements of Operations

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2022		Fiscal 2021	
Net revenue	$ 1,494,630	100.0%	$ 857,323	100.0%
Cost of goods sold	839,678	56.2%	544,818	63.5%
Gross profit	654,952	43.8%	312,505	36.5%
Operating expenses				
Selling, general and administrative	392,802	26.3%	250,726	29.2%
Stock-based compensation expense	26,131	1.7%	10,691	1.2%
Income from operations	236,019	15.8%	51,088	6.0%
Finance expense	25,202	1.7%	28,420	3.3%
Other expense (income)	(8,783)	(0.6%)	(3,534)	(0.4%)
Income before income taxes	219,600	14.7%	26,202	3.1%
Income tax expense	62,683	4.2%	6,975	0.8%
Net income	$ 156,917	10.5%	$ 19,227	2.2%
Net income per diluted share	$ 1.36		$ 0.17	
Adjusted EBITDA(1)	$ 289,385	19.4%	$ 76,812	9.0%
Adjusted Net Income(1)	176,736	11.8%	26,028	3.0%
Adjusted Net Income(1) per Diluted Share	$ 1.53		$ 0.23	

Net revenue increased by 74.3% to $1.5 billion, compared to $857.3 million in Fiscal 2021. The Company has seen an unprecedented acceleration of sales in the United States, where net revenues increased by 131.8% to $676.1 million compared to $291.7 million in Fiscal 2021. The Company also saw meaningful growth in Canada where net revenue increased by 44.7% to $818.5 million, compared to $565.6 million in Fiscal 2021.

The following table provides net revenue by channel and geographic location for the periods indicated.

(in thousands of Canadian dollars)	**Fiscal 2022**	**Fiscal 2021**
eCommerce revenue	$ 564,340	$ 425,929
Retail revenue	930,290	431,394
Net revenue	$ 1,494,630	$ 857,323

	Fiscal 2022	**Fiscal 2021**
Canada	$ 818,495	$ 565,591
United States	676,135	291,732
Net revenue	$ 1,494,630	$ 857,323

Gross profit increased by 109.6% to $655.0 million, compared to $312.5 million in Fiscal 2021. Gross profit margin was 43.8%, compared to 36.5% in Fiscal 2021. The improvement in gross profit margin was primarily due to leverage on occupancy costs, lower markdowns, the strengthening of the Canadian dollar, and lower warehousing and distribution costs, partially offset by higher expedited freight costs as a result of global supply chain disruptions and lower rent abatements.

SG&A expenses increased by 56.7% to $392.8 million, compared to $250.7 million in Fiscal 2021. SG&A expenses were 26.3% of net revenue, compared to 29.2% in Fiscal 2021. Excluding the benefit of government payroll subsidies, the increase in SG&A expenses was 42.2%. The increase in SG&A expenses was primarily due to variable selling costs associated with the increase in revenue and continued investment in talent, technology, and marketing initiatives.

Depreciation and amortization increased by $7.5 million to $112.6 million, compared to $105.1 million in Fiscal 2021.

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

(in thousands of Canadian dollars)	**Fiscal 2022**	**Fiscal 2021**
Depreciation and amortization	$ 44,569	$ 38,871
Depreciation on right-of-use assets	68,058	66,278
Total depreciation and amortization	$ 112,627	$ 105,149

Stock-based compensation expense was $26.1 million, compared to $10.7 million in Fiscal 2021.

Included in Fiscal 2022 is $16.0 million in expenses related to the accounting for the Company's deferred, restricted, and performance share units and $10.1 million in expenses primarily related to the accounting for options under the Company's Omnibus Plan.

We use equity derivative contracts to offset our cash flow variability of the expected payment associated with our deferred and restricted share units. Unrealized gains and losses related to these equity derivative contracts are recorded in other (income) expense.

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

Finance expense decreased by $3.2 million to $25.2 million, compared to $28.4 million in Fiscal 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 in Q2 2022 and no amounts drawn on the revolving credit facility compared to Fiscal 2021, along with lower interest expense on lease liabilities in Fiscal 2022.

Other income was $8.8 million, compared to $3.5 million in Fiscal 2021.

Other income of $8.8 million in Fiscal 2022 primarily relates to:
- unrealized gain on equity derivative contracts of $11.2 million,
- interest and other income of $1.6 million and
- unrealized and realized operational foreign exchange gains of $1.2 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 $3.5 million in Fiscal 2021 primarily related to:
- unrealized gain on equity derivative contracts of $3.7 million,
- interest and other income of $1.6 million, partially offset by
- unrealized and realized operational foreign exchange losses of $1.8 million.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Fiscal 2022 and Fiscal 2021 were 26.6% and 26.7%, respectively.

Income tax expense was $62.7 million, compared to $7.0 million in Fiscal 2021 and the effective tax rates for Fiscal 2022 and Fiscal 2021 were 28.8% and 26.6%, 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 $156.9 million, compared to $19.2 million in Fiscal 2021. The increase in net income was primarily due to a 74.3% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

Net income per diluted share was $1.36, compared to $0.17 in Fiscal 2021, primarily due to the factors discussed above.

Adjusted EBITDA(1) was $289.4 million, or 19.4% of net revenue, compared to $76.8 million, or 9.0% of net revenue in Fiscal 2021. The increase in Adjusted EBITDA as a percentage of net revenue was primarily due to a 74.3% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

Adjusted Net Income (1) was $176.7 million, compared to $26.0 million in Fiscal 2021, primarily due to the factors discussed above.

Adjusted Net Income (1) **per Diluted Share** was $1.53, compared to $0.23 in Fiscal 2021, primarily due to the factors discussed above.

Capital cash expenditures (net of proceeds from lease incentives)(1) were $52.6 million in Fiscal 2022, compared to $42.5 million in Fiscal 2021.

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", "Recent Events" 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.

Revolving Credit Facility

As at February 27, 2022, we have a $175.0 million revolving credit facility. No amounts were drawn on the revolving credit facility as at February 27, 2022. 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 revolving 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)	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
Net cash generated from operating activities	$ 733	$ 5,438	$ 338,353	$ 125,628
Net cash used in financing activities	(20,171)	(17,969)	(124,093)	(40,586)
Cash used in investing activities	(20,734)	(11,368)	(99,576)	(50,848)
Effect of exchange rate changes on cash and cash equivalents	(515)	(990)	1,414	(2,797)
Change in cash and cash equivalents	$ (40,687)	$ (24,889)	$ 116,098	$ 31,397

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2022

Cash Flows Generated from Operating Activities

For Q4 2022, cash flows generated from operating activities totaled $0.7 million, compared to $5.4 million in Q4 2021. This change was primarily attributable to a higher use of working capital due to timing of payments and an increase in income taxes paid, offset by an increase in income from operations.

For Fiscal 2022, cash flows generated from operating activities totaled $338.4 million, compared to $125.6 million in Fiscal 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 Q4 2022, cash flows used in financing activities totaled $20.2 million, compared to cash flows of $18.0 million in Q4 2021. Financing activities in Q4 2022 primarily relate to the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation, partially offset by proceeds received from options exercised and proceeds received from lease incentives. Financing activities in Q4 2021 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from lease incentives and proceeds received from options exercised.

For Fiscal 2022, cash flows used in financing activities totaled $124.1 million, compared to $40.6 million in Fiscal 2021. Financing activities in Fiscal 2022 primarily relate to a $75.0 million term loan repayment, the repayment of principal on lease liabilities, the repurchase of subordinate voting shares for cancellation, partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in Fiscal 2021 primarily relate to the repayment of principal on lease liabilities and include the drawdown and subsequent repayment of $100.0 million of our revolving credit facility, partially offset by proceeds received from lease incentives and proceeds received from options exercised.

Cash Flows Used in Investing Activities

For Q4 2022, cash flows used in investing activities totaled $20.7 million, compared to $11.4 million in Q4 2021. Investing activities in Q4 2022 and Q4 2021 primarily relate to new boutiques, boutique expansions and repositions, and distribution center projects.

For Fiscal 2022, cash flows used in investing activities totaled $99.6 million, compared to $50.8 million in Fiscal 2021. Investing activities in Fiscal 2022 primarily relate to the acquisition of CYC, net of cash assumed of $32.6 million and new boutiques, boutique expansions and repositions, and distribution center projects. Investing activities in Fiscal 2021 relate to new boutiques and boutique expansions and repositions, as well as investments in our Product Lifecycle Management system.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 27, 2022.

(in thousands of Canadian dollars)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities	$ 179,344	$ -	$ -	$ 179,344
Lease liabilities	106,371	333,332	135,408	575,111
Contingent consideration	6,619	6,618	-	13,237
Non-controlling interest in exchangeable shares liability	-	39,300	-	39,300
Minimum lease commitments with future commencement dates	1,541	46,048	74,969	122,558
Total contractual obligations and commitments	$ 293,875	$ 425,298	$ 210,377	$ 929,550

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 27, 2022, we had purchase obligations of $155.9 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 February 27, 2022, letters of credit totaling $43.5 million have been issued.

Other than those items disclosed here and elsewhere in this MD&A and our consolidated financial statements, we do not have any material off-balance sheet arrangements or commitments as at February 27, 2022.

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 consolidated 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 February 27, 2022, 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 February 27, 2022, 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 deferred and restricted share units. These contracts are not designated as hedging instruments for accounting purposes. Changes in the fair value of equity derivative contracts are recorded in net income. As at February 27, 2022, the equity derivative contracts had a positive fair value of $15.6 million which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During the year ended February 27, 2022, we made payments of $4.9 million (February 28, 2021 - $4.2 million) for lease of premises and management services and $1.0 million (February 28, 2021 - $0.7 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at February 27, 2022, the outstanding balance of lease liabilities owed to these companies was $13.3 million (February 28, 2021 - $11.6 million). As at February 27, 2022, $0.5 million 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)	**Q4 2022**	**Q4 2021**	**Fiscal 2022**	**Fiscal 2021**
Salaries, directors’ fees and short-term benefits	$ 1,114	$ 555	$ 4,906	$ 3,860
Stock-based compensation	1,232	1,827	8,685	4,135
	$ 2,346	$ 2,382	$ 13,591	$ 7,995

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:

Return Allowances

Recognizing provisions for sales return allowances requires the use of estimates of the return rate of merchandise based on historical return patterns.

Valuation of Finished Goods Inventory

Inventory is stated at the lower of cost and net realizable value. We periodically review our inventories and make provisions which requires the use of estimates related to product quality, damages, future demand, selling prices, and market conditions.

Impairment of Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible asset impairment testing requires the use of estimates in the impairment testing model. On an annual basis, we test whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate estimates regarding future events, specifically future cash flows, growth rates and discount rates. We use judgment in determining the grouping of assets to identify our CGUs for purposes of testing for impairment. In testing for impairment, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the business combination, which involves judgment.

Leases

We estimate the incremental borrowing rate used for calculating lease liabilities and right-of-use assets. 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 at the lease commencement date. We exercise judgment on whether we will exercise available renewal or termination options, and thus include such options in the lease terms. We consider all facts and circumstances that create an economic incentive to exercise a renewal or termination option.

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. Assumptions and estimates are used to determine cash flow projections, including the period of future benefit, 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.

Non-Controlling Interest in Exchangeable Shares Liability

Non-controlling interest in exchangeable shares involves uncertainty in estimating the fair value of the obligation on a recurring basis. The fair value estimate includes inputs associated with expected volatility, anticipated timing and discount rate associated with the obligation.

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 Company is currently assessing the potential impact of these amendments.

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.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application 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 have a revolving credit facility which provides available borrowings in an amount up to $175.0 million. Because the revolving credit facility bears interest at a variable rate, we are exposed to market risks relating to changes in interest rates on outstanding balances. As at February 27, 2022, no advances were made under the revolving credit facility.

Credit Risk

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

Liquidity Risk

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

Equity Price Risk

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

DISCLOSURE CONTROLS AND PROCEDURES

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

As required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO, as at February 27, 2022. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at February 27, 2022.

Although the Company's disclosure controls and procedures were operating effectively as of February 27, 2022, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's regulatory filings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. The Company's internal controls over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting and reporting, and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at February 27, 2022. In making this assessment, management, including the CEO and CFO, used the framework set forth in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal control over financial reporting, as defined by NI 52-109, were effective as at February 27, 2022.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter and year ended February 27, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of May 4, 2022, an aggregate of 89,225,919 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 May 4, 2022, an aggregate of 8,495,035 options and 96,836 performance share units 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			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial Summary:								
Net revenue	$ 444,322	$ 453,323	$ 350,069	$ 246,916	$ 267,525	$ 278,254	$ 200,155	$ 111,389
Cost of goods sold	264,816	243,181	193,873	137,808	164,600	152,171	129,719	98,328
Gross profit	179,506	210,142	156,196	109,108	102,925	126,083	70,436	13,061
SG&A	120,221	110,084	92,115	70,382	72,357	74,707	60,151	43,511
Income (loss) from operations	53,560	90,949	55,819	35,691	26,375	48,004	8,138	(31,429)
Net income (loss)	34,225	64,941	39,848	17,903	16,070	30,502	(874)	(26,471)
Net income (loss) per share	$ 0.31	$ 0.59	$ 0.36	$ 0.16	$ 0.15	$ 0.28	$ (0.01)	$ (0.24)
Net income (loss) per Diluted Share	$ 0.29	$ 0.56	$ 0.35	$ 0.16	$ 0.14	$ 0.27	$ (0.01)	$ (0.24)
Adjusted EBITDA [4]	$ 66,303	$ 109,289	$ 72,891	$ 40,902	$ 35,205	$ 54,565	$ 12,274	$ (25,232)
Adjusted Net Income (Loss)[4]	$ 39,475	$ 71,199	$ 44,411	$ 21,651	$ 17,678	$ 32,188	$ 1,034	$ (24,872)
Adjusted Net Income (Loss)[4] per Diluted Share	$ 0.34	$ 0.61	$ 0.39	$ 0.19	$ 0.16	$ 0.29	$ 0.01	$ (0.23)
Weighted average number of Diluted Shares (in thousands)[5]	116,774	116,140	115,265	114,711	114,052	112,903	112,550	109,353
Cash and cash equivalents	$ 265,245	$ 305,932	$ 131,796	$ 157,878	$ 149,147	$ 174,036	$ 207,254	$ 224,313
Capital cash expenditures (net of proceeds from lease incentives)[4]	$ (16,434)	$ (20,318)	$ (9,333)	$ (6,522)	$ (9,415)	$ (10,383)	$ (10,586)	$ (12,145)
Free cash flow	$ (37,047)	$ 169,704	$ 77,347	$ 11,933	$ (24,936)	$ 68,387	$ (15,200)	$ 8,055
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	59.6%	53.6%	55.4%	55.8%	61.5%	54.7%	64.8%	88.3%
Gross profit	40.4%	46.4%	44.6%	44.2%	38.5%	45.3%	35.2%	11.7%
SG&A	27.1%	24.3%	26.3%	28.5%	27.0%	26.8%	30.1%	39.1%
Income (loss) from operations	12.1%	20.1%	15.9%	14.5%	9.9%	17.3%	4.1%	(28.2%)
Net income (loss)	7.7%	14.3%	11.4%	7.3%	6.0%	11.0%	(0.4%)	(23.8%)
Adjusted EBITDA [4]	14.9%	24.1%	20.8%	16.6%	13.2%	19.6%	6.1%	(22.7%)
Adjusted Net Income (Loss)[4]	8.9%	15.7%	12.7%	8.8%	6.6%	11.6%	0.5%	(22.3%)
Other Performance Metrics:								
Net revenue growth	66.1%	62.9%	74.9%	121.7%	(2.9%)	4.1%	(17.0%)	(43.4%)
Comparable sales growth[4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Boutiques:[6]								
Number of boutiques, beginning of period	105	104	102	101	101	97	97	96
New boutiques added	2	1	2	1	1	5	-	1
Repositioned to a flagship boutique	-	-	-	-	(1)	-	-	-
Boutique closure	(1)	-	-	-	-	-	-	-
Boutique temporarily closed due to mall redevelopment	-	-	-	-	-	(1)	-	-
Number of boutiques, end of period	106	105	104	102	101	101	97	97
Boutiques expanded or repositioned	1	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, which are non-IFRS measures and comparable sales growth, which is a supplementary measure. See also "Non-IFRS Measures including Retail Industry Metrics".

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

(6) CYC had four boutiques as at February 27, 2022 which are excluded from the boutique count.