ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 26, 2023

May 2, 2023

The following Management's Discussion and Analysis ("MD&A") dated May 2, 2023 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 13-week and 52-week periods ended February 26, 2023. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2023 (as hereinafter defined).

FORWARD-LOOKING INFORMATION

Certain statements made in this document may constitute forward-looking information under applicable securities laws. Statements containing forward-looking information are neither historical facts nor assurances of future performance, but instead, provide insights regarding management's current expectations and plans and allows investors and others to better understand the Company's anticipated business strategy, financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Although the Company believes that the forward-looking statements are based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of business, economic, competitive and other risk factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information.

Specific forward looking information in this document include, but are not limited to, statements relating to:

- our Fiscal 2027 strategic and financial plan and anticipated results therefrom,
- our ability to continue to achieve strong boutique sales productivity,
- our approach and expectations with respect to boutique growth, expansion and enhancements, including boutique payback period expectations,
- our eCommerce growth, including our plans to deliver eCommerce 2.0, execute our eCommerce roadmap and the anticipated results therefrom,
- our expectations with respect to our omni-channel capabilities and the success and completion of our Omni Project,
- our ability to maintain momentum in our business and advance our strategic growth levers including geographic expansion, eCommerce growth and increased brand awareness,
- our expectations regarding the construction, completion and future operation of our new distribution facilities, our expansion and retrofitting plans, plans relating to the use of existing facilities and the anticipated results therefrom,
- our expectations with respect to liquidity,
- our use of financial instruments and risk mitigation strategies
- our expectations with respect to our inventory position and normalized markdowns,
- our plans for continued strategic investments in technology, digital and physical infrastructure and people,
- our future investment opportunities,
- the competitive position of our brand and products in the retail industry,
- our ability to respond to consumer trends and produce enduring client loyalty,
- our normal course issuer bid and future purchases of subordinate voting shares, and
- our environmental, social and governance initiatives and related statements regarding our commitments to increase disclosures, maintain our annual reporting, and establish greenhouse gas emission reduction targets and development of our climate strategy and roadmap.

Particularly, information regarding our expectations of future results, targets, performance achievements, intentions, prospects, opportunities or other characterizations of future events or developments or the markets in which we operate is forward-looking information. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “believes”, or positive or negative 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”.

Forward-looking statements are based on information currently available to management and on estimates and assumptions, including assumptions about future economic conditions and courses of action. Examples of material estimates and assumptions and beliefs made by management in preparing such forward looking statements include, but are not limited to:

- continued strength across our retail and eCommerce channels,
- continued strength in the United States and ongoing growth in Canada,
- general economic and geopolitical conditions, particularly in light of inflationary pressures,
- changes in laws, rules, regulations, and global standards,
- ongoing cost inflationary pressures,
- our competitive position in our industry,
- our ability to keep pace with changing consumer preferences,
- no COVID-19 related restrictions impacting client shopping patterns or incremental direct costs related to health and safety measures,
- our future financial outlook,
- our ability to drive ongoing development and innovation of our exclusive brands and product categories,
- our ability to invest in physical and digital infrastructure to support growth,
- our ability to realize our eCommerce 2.0 roadmap and omni-channel capabilities,
- our expectations for normalized year over year inventory growth and markdown rates,
- our ability to recruit and retain exceptional talent,
- our expectations regarding new boutique openings, expansion and repositioning of existing boutiques, and growth of our boutique network and annual square footage,
- our ability to mitigate business disruptions, including our sourcing and production activities,
- our expectations for capital expenditures,
- our ability to generate positive cash flow,
- anticipated cost efficiencies from optimization of our processes,
- availability of sufficient liquidity,
- warehousing costs and expedited freight costs, and
- currency exchange and interest rates.

Given the current challenging operating environment, there can be no assurances regarding: (a) pandemic-related limitations or restrictions that may be placed on servicing our clients or the duration of any such limitations or restrictions; (b) the macroeconomic impacts (including those from the recent COVID-19 pandemic) on Aritzia's business, operations, labour force, supply chain performance and growth strategies; (c) Aritzia's ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) general economic conditions 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 Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, performance, 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 the Company's annual information form for Fiscal 2023 (the "AIF") which are incorporated by reference into this document. 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 or any successor or replacement thereof.

The Company cautions that the foregoing list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. We operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for management to predict all risks, nor assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. 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 document represents our expectations as of the date of this document (or as of the date they are otherwise stated to be made) and are subject to change after such date. We disclaim any intention, obligation or undertaking to update or revise any forward-looking information, whether written or oral, 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 2023” are to our 13-week period ended February 26, 2023, to "Q1 2023" are to our 13-week period ended May 29, 2022, to “Q4 2022” are to our 13-week period ended February 27, 2022 and to "Q1 2024" are to our 13-week period ending May 28, 2023. All references in this MD&A to "Fiscal 2027" are to our 52-week period ending February 28, 2027, to "Fiscal 2026" are to our 52-week period ending March 1, 2026, to "Fiscal 2024" are to our 53-week period ending March 3, 2024, to “Fiscal 2023” are to our 52-week period ending February 26, 2023, to “Fiscal 2022” are to our 52-week period ended February 27, 2022, to "Fiscal 2021" are to our 52-week period ended February 28, 2021 and to "Fiscal 2020" are to our 52-week period ended March 1, 2020.

The audited annual consolidated financial statements and accompanying notes for Fiscal 2023 and this MD&A were authorized for issue by the Company’s Board of Directors (the "Board of Directors").

Documents referenced herein are not incorporated by reference into this MD&A, unless such incorporation by reference is explicit.

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 well-being 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 110+ boutiques throughout Canada and the United States to everyone, everywhere.

Everyday Luxury. To Elevate Your World.™

On June 25, 2021, Aritzia acquired 75% of the common shares in CYC Design Corporation (“CYC”), a leading designer and manufacturer of premium athletic wear, Reigning Champ. The results of operations, financial position, and cash flows of CYC have been included in our consolidated financial statements since the date of acquisition.

RECENT EVENTS

Normal Course Issuer Bid and Automatic Share Purchase Plan

On January 18, 2023, the Company announced that the TSX had accepted our notice of intention to proceed with a normal course issuer bid (the “2023 NCIB”) to repurchase and cancel up to 3,860,745 of its subordinate voting shares, representing approximately 5% of the public float of 77,214,916 subordinate voting shares, over the 12-month period commencing January 20, 2023 and ending January 19, 2024.

On February 3, 2023, the Company announced it had entered into an automatic share purchase plan with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the 2023 NCIB during predetermined blackout periods.

Between January 20, 2023 and May 2, 2023, the Company repurchased a total of 35,800 subordinate voting shares for cancellation at an average price of $39.42 per subordinate voting share for total cash consideration of $1.4 million under the 2023 NCIB.

Investor Day 2022 Fiscal 2027 Strategic and Financial Plan

On October 27, 2022, the Company announced its Fiscal 2027 strategic and financial plan and hosted an Investor Day at its Support Office in Vancouver, Canada. As part of the Fiscal 2027 strategic and financial plan, the Company intends to execute on the following three strategic levers:

- Geographic expansion: The Company plans to continue opening and expanding boutiques, resulting in annual square footage growth. The Company intends to capitalize on premier real estate for new locations, continuing to elevate its boutique design and deliver exceptional experiences for its clients.

- eCommerce acceleration: Having grown its eCommerce business by 150% from Fiscal 2020 to Fiscal 2022, the Company intends to further fuel its growth by delivering eCommerce 2.0, connecting clients to tailored product discovery, creative innovation, and intuitive experiences. In addition to elevating the existing web platform, Aritzia plans to create new digital platforms.

- Increased brand awareness: The Company plans to build and execute on its Everyday Luxury experience, propelling increased brand awareness, new client acquisition, and loyalty. Aritzia intends to leverage the power of influence to build a greater following and community by amplifying clients' voices and augmenting their social media presence through strategic marketing.

These strategic levers are underpinned by the Company's unique strengths that have driven its 39-year track record of success, including: high-quality, beautifully designed product; premier real estate; a proprietary retail model; a strong digital model; talented people and high-performance culture; best-in-class infrastructure; and community responsibility. For further details, see the Company's press release dated October 27, 2022, "Aritzia Presents its Fiscal 2027 Strategic and Financial Plan, Powering Stronger", which is available on SEDAR at www.sedar.com under the Company's profile and on our website at investors.aritzia.com.

Completion of Secondary Offering

On November 14, 2022, the Company announced a secondary offering (the “2022 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, Founder and Executive Chair of Aritzia, or Brian Hill and his immediate family (collectively, the “Selling Shareholders”). The 2022 secondary offering of 1,500,000 subordinate voting shares raised gross proceeds of $77.4 million for the Selling Shareholders, at a price of $51.60 per subordinate voting share and was completed on November 30, 2022. The Company did not receive any proceeds from the 2022 secondary offering. As part of the 2022 secondary offering, during the year ended February 26, 2023, the Selling Shareholders exchanged an aggregate of 1,500,000 of their multiple voting shares for subordinate voting shares. Immediately following the closing of the 2022 secondary offering, Brian Hill remained the Company’s largest shareholder with an approximately 18.5% equity interest. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the 2022 secondary offering of approximately $0.5 million were paid by the Company.

COVID-19 PANDEMIC

While there were no in-store capacity restrictions or closures due to COVID-19 that directly impacted the Company during Fiscal 2023, the trailing effects of the pandemic and related macroeconomic conditions remain uncertain. Management continues to monitor and assess the impacts of the COVID-19 pandemic and related macroeconomic conditions on the business as well as on certain estimates and judgments.

See also the “Risk Factors” section 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 “Reconciliation to Non-IFRS Financial Measures” for reconciliations of non-IFRS financial measures with the most directly comparable IFRS financial measure.

Q4 2023

- **Net revenue** increased 43.5% from Q4 2022 to $637.6 million, achieving comparable sales growth[1] of 32.2% compared to Q4 2022
- **United States net revenue** increased 55.7% from Q4 2022 to $337.5 million, comprising 52.9% of net revenue in Q4 2023
- **Retail net revenue** increased 38.4% from Q4 2022 to $363.1 million
- **eCommerce net revenue** increased 50.8% from Q4 2022 to $274.5 million, comprising 43.1% of net revenue in Q4 2023
- **Gross profit margin**[1] decreased 240 bps to 38.0% from 40.4% in Q4 2022
- **Net income** increased 9.1% from Q4 2022 to $37.3 million
- **Adjusted EBITDA**[1] increased 19.7% from Q4 2022 to $79.4 million
- **Net income per diluted share** of $0.32 per share, compared to $0.29 per share in Q4 2022
- **Adjusted Net Income per Diluted Share**[1] of $0.40 per share, compared to $0.34 per share in Q4 2022

Fiscal 2023

- **Net revenue** increased 46.9% to $2.2 billion, compared to $1.5 billion in Fiscal 2022
- **United States net revenue** increased 65.8% from Fiscal 2022 to $1.1 billion, comprising 51.1% of net revenue in Fiscal 2023
- **Retail net revenue** increased 53.3% from Fiscal 2022 to $1.4 billion
- **eCommerce net revenue** increased 36.4% from Fiscal 2022 to $769.9 million, comprising 35.1% of net revenue in Fiscal 2023
- **Gross profit margin**[1] decreased 220 bps to 41.6% from 43.8% in Fiscal 2022
- **Net income** increased 19.5% from Fiscal 2022 to $187.6 million
- **Adjusted EBITDA**[1] increased 21.4% from Fiscal 2022 to $351.2 million
- **Net income per diluted share** of $1.63 per share, compared to $1.36 per share in Fiscal 2022
- **Adjusted Net Income per Diluted Share**[1] of $1.86 per share, compared to $1.53 per share in Fiscal 2022

Strategic Accomplishments for Fiscal 2023

- Grew active United States clients by 54% during Fiscal 2023
- Achieved 65.8% growth in United States net revenue, through strength in both our boutiques and eCommerce, to surpass 50% of total net revenue in Fiscal 2023
- Drove continued momentum in eCommerce, growing revenue by 36.4% on top of 32.5% growth in Fiscal 2022 and 88.3% growth in Fiscal 2021, comprising 35.1% of net revenue in Fiscal 2023
- Opened eight new boutiques and repositioned five existing boutiques in premier real estate locations, with payback periods tracking ahead of expectations
- Advanced initiatives to support Aritzia's communities, cultivate diversity and enhance sustainability, including our commitment to set greenhouse gas emission reduction targets by November 2024

OUTLOOK

A discussion of management's expectations as to the Company's financial outlook for Fiscal 2024 is contained in the Company's press release dated May 2, 2023, "Aritzia Reports Fourth Quarter and Fiscal 2023 Financial Results" under the heading "Outlook". In addition, a discussion of the Company's long-term financial plan is contained in the Company's press release dated October 27, 2022, "Aritzia Presents its Fiscal 2027 Strategic and Financial Plan, Powering Stronger". These press releases are available on SEDAR at www.sedar.com under the Company's profile and on our website at investors.aritzia.com.

[1] See the sections below entitled "How We Assess the Performance of our Business", "Selected Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" for further details concerning gross profit margin, comparable sales growth, Adjusted EBITDA, Adjusted EBITDA as a percentage of net revenue, Adjusted Net Income and Adjusted Net Income per Diluted Share including definitions and reconciliations of each non-IFRS financial measure to the relevant reported IFRS financial measure. Non-IFRS financial measures and non-IFRS ratios do not have a standardized meaning under IFRS, which is used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities.

SELECTED FINANCIAL INFORMATION

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for Q4 2023 and Q4 2022 is unaudited.

Selected Consolidated Financial Information

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2023 13 Weeks	Q4 2022 13 Weeks	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks
Financial Summary:				
Net revenue	$ 637,582	$ 444,322	$ 2,195,630	$ 1,494,630
Cost of goods sold	395,422	264,816	1,281,638	839,678
Gross profit	242,160	179,506	913,992	654,952
Operating expenses				
Selling, general and administrative	171,299	120,221	602,469	392,802
Stock-based compensation expense	3,157	5,725	24,369	26,131
Income from operations	67,704	53,560	287,154	236,019
Finance expense	9,501	6,092	31,263	25,202
Other expense (income)	4,052	740	(7,916)	(8,783)
Income before income taxes	54,151	46,728	263,807	219,600
Income tax expense	16,813	12,503	76,219	62,683
Net income	$ 37,338	$ 34,225	$ 187,588	$ 156,917
Net income per diluted share	$ 0.32	$ 0.29	$ 1.63	$ 1.36
Adjusted EBITDA[2]	$ 79,354	$ 66,303	$ 351,181	$ 289,385
Adjusted Net Income[2]	$ 46,671	$ 39,475	$ 214,771	$ 176,736
Adjusted Net Income per Diluted Share[2]	$ 0.40	$ 0.34	$ 1.86	$ 1.53
Weighted average number of diluted shares outstanding (thousands)	115,249	116,774	115,301	115,784
Cash and cash equivalents	$ 86,510	$ 265,245	$ 86,510	$ 265,245
Capital cash expenditures (net of proceeds from lease incentives)[2]	$ (38,503)	$ (16,434)	$ (112,050)	$ (52,607)
Free cash flow[2]	$ (49,193)	$ (37,047)	$ (119,656)	$ 221,937
Percentage of Net Revenue:				
Gross profit	38.0%	40.4%	41.6%	43.8%
Selling, general and administrative	26.9%	27.1%	27.4%	26.3%
Net income	5.9%	7.7%	8.5%	10.5%
Adjusted EBITDA[2]	12.4%	14.9%	16.0%	19.4%
Adjusted Net Income[2]	7.3%	8.9%	9.8%	11.8%
Other Metrics:				
Year-over-year net revenue growth	43.5%	66.1%	46.9%	74.3%
Comparable sales growth[2]	32.2%	n/a	28.2%	n/a

[2] Please see “How We Assess the Performance of Our Business”, "Selected Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" sections of this MD&A for further details on these financial and operating measures.

The following tables provide selected consolidated information for the three most recently completed fiscal years. For a discussion of factors that caused changes in our business between Fiscal 2022 and Fiscal 2021, please refer to the "Results of Operations" section of our Fiscal 2022 MD&A dated May 5, 2022.

Selected Consolidated Financial Information

(in thousands of Canadian dollars,except per share amounts)	**Fiscal 2023**	**Fiscal 2022**	**Fiscal 2021**
Net revenue	$2,195,630	$1,494,630	$857,323
Net income	187,588	156,917	19,227
Net income per share			
Basic	1.70	1.42	0.18
Diluted	1.63	1.36	0.17

Selected Consolidated Financial Position Information

(in thousands of Canadian dollars, unless otherwise noted)	**As at February 26, 2023**	**As at February 27, 2022**	**As at February 28, 2021**
Total assets	$1,836,543	$1,424,586	$1,140,737
Total non-current liabilities	733,456	506,450	531,279

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 Financial Measures

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2023 13 Weeks	Q4 2022 13 Weeks	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 37,338	$ 34,225	$ 187,588	$ 156,917
Depreciation and amortization	14,617	12,110	52,855	44,569
Depreciation on right-of-use assets	23,164	17,593	81,047	68,058
Finance expense	9,501	6,092	31,263	25,202
Income tax expense	16,813	12,503	76,219	62,683
EBITDA	101,433	82,523	428,972	357,429
Adjustments to EBITDA:				
Stock-based compensation expense	3,157	5,725	24,369	26,131
Rent impact from IFRS 16, Leases[3]	(31,839)	(22,939)	(107,851)	(90,048)
Unrealized loss (gain) on equity derivative contracts	6,136	994	6,093	(11,192)
Realized gain on equity derivative contracts	—	—	(1,387)	—
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	—	—	—	2,000
Fair value adjustment for inventory acquired in CYC	—	—	—	1,902
CYC integration and acquisition costs	467	—	467	2,633
Secondary offering transaction costs	—	—	518	530
Adjusted EBITDA	$ 79,354	$ 66,303	$ 351,181	$ 289,385
Adjusted EBITDA as a percentage of net revenue	12.4%	14.9%	16.0%	19.4%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 37,338	$ 34,225	$ 187,588	$ 156,917
Adjustments to net income:				
Stock-based compensation expense	3,157	5,725	24,369	26,131
Unrealized loss (gain) on equity derivative contracts	6,136	994	6,093	(11,192)
Realized gain on equity derivative contracts	—	—	(1,387)	—
Fair value adjustment of NCI in exchangeable shares liability	—	—	—	2,000
Fair value adjustment for inventory acquired in CYC	—	—	—	1,902
CYC integration and acquisition costs	467	—	467	2,633
Secondary offering transaction costs	—	—	518	530
Related tax effects	(427)	(1,469)	(2,877)	(2,185)
Adjusted Net Income	$ 46,671	$ 39,475	$ 214,771	$ 176,736
Adjusted Net Income as a percentage of net revenue	7.3%	8.9%	9.8%	11.8%
Weighted average number of diluted shares outstanding (thousands)	115,249	116,774	115,301	115,784
Adjusted Net Income per Diluted Share	$ 0.40	$ 0.34	$ 1.86	$ 1.53

[3] Rent Impact from IFRS 16, Leases

(in thousands of Canadian dollars)	Q4 2023 13 Weeks	Q4 2022 13 Weeks	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks
Depreciation on right-of-use assets, excluding fair value adjustments	$ (23,031)	$ (17,460)	$ (80,515)	$ (67,702)
Interest expense on lease liabilities	(8,808)	(5,479)	(27,336)	(22,346)
Rent impact from IFRS 16, Leases	$ (31,839)	$ (22,939)	$ (107,851)	$ (90,048)

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 2023 13 Weeks	Q4 2022 13 Weeks	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks
Reconciliation of Cash Used in Investing Activities to Capital Cash Expenditures (Net of Proceeds From Lease Incentives):				
Cash used in investing activities	$ (41,240)	$ (20,734)	$ (131,213)	$ (99,576)
Acquisition of CYC, net of cash acquired	—	—	—	32,555
Contingent consideration payout, net relating to the acquisition of CYC	—	—	5,625	—
Proceeds from lease incentives	2,737	4,300	13,538	14,414
Capital cash expenditures (net of proceeds from lease incentives)	$ (38,503)	$ (16,434)	$ (112,050)	$ (52,607)

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

(in thousands of Canadian dollars)	Q4 2023 13 Weeks	Q4 2022 13 Weeks	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks
Reconciliation of Net Cash Generated from Operating Activities to Free Cash Flow:				
Net cash generated from operating activities	$ 10,184	$ 733	$ 74,913	$ 338,353
Interest paid on credit facilities	510	613	3,743	2,491
Proceeds from lease incentives	2,737	4,300	13,538	14,414
Repayments of principal on lease liabilities	(21,384)	(21,959)	(86,262)	(66,300)
Purchase of property, equipment and intangible assets	(41,240)	(20,734)	(125,588)	(67,021)
Free cash flow	$ (49,193)	$ (37,047)	$ (119,656)	$ 221,937

SUMMARY OF FACTORS AFFECTING PERFORMANCE

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 brands that have been thoughtfully conceived, designed, and developed. We believe that a key area of differentiation for us is that we design apparel and accessories to enable us to reach many different groups of clients. Our sourcing and manufacturing strategy gives us control over our supply chain and provides us with the flexibility to optimize our brand mix as needed to address changes in client demand and fashion preferences. This has been critical to our ability to grow 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 Everyday Luxury product using superior fabrics, meticulous construction and relevant, effortless design.

Our exclusive brands currently represent approximately 97% 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 fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for our clients, producing strong and enduring client loyalty.

Creative Development

We have talented teams of designers who focus on creating products featuring high quality fabrics, considered detailing and sophisticated construction. Our product design and development process builds on client favourites while taking new fashion trends into account with the goal of creating fashion must-haves each season. Our 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 high quality mills and suppliers to create and sample garments, which are fit-tested before production. We ensure that the quality of our raw materials and the finished product are all held to our Everyday Luxury standards and the expectations of our clients.

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 Canada and the United States. 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 boutiques, we generate attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique expansions and repositions. We continue to elevate our boutique design and believe we deliver a fully immersive experience including, commencing in Fiscal 2019, enhancing the sensory experience by adding A-OK cafes in select boutiques.

The following table summarizes the change in Aritzia's boutique count for the periods indicated (excluding CYC boutiques).

	Q4 2023	Q4 2022	Fiscal 2023	Fiscal 2022
Number of boutiques, beginning of period	113	105	106	101
New boutiques	2	2	8	6
Repositioned to a flagship boutique	(1)	—	(1)	—
Pop-up boutique converted to permanent boutique	—	—	1	—
Boutique closure	—	(1)	—	(1)
Number of boutiques, end of period	114	106	114	106
Boutiques expanded or repositioned	1	1	5	6

In addition, CYC had four boutiques as at February 26, 2023.

eCommerce Growth

We continue to invest in our digital capabilities to support our eCommerce business, and we plan to further fuel eCommerce growth by delivering Aritzia eCommerce 2.0, featuring tailored product discovery, creative innovation, and intuitive experiences. We aspire to connect clients to Everyday Luxury, offering beautiful product, tailored experiences, and endless inspiration to be a leading eCommerce business.

The strategy behind Aritzia eCommerce 2.0 has three components, which is our value proposition that we believe highlights our unique competitive advantage:

- *We plan to deliver tailored product discovery:* We plan to enable clients to discover all we have to offer, while personalizing suggestions for their individual taste, style and preferences. 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 plan to continue to evolve personalized experiences. Aritzia.com showcases our entire product assortment, and our brands are designed for a segment of our overall client base. We aim to inspire the client to discover our diverse assortment, while content is tailored to their individual style and preferences to keep them engaged.
- *We plan to deliver creative innovation:* With an emphasis on form, creative innovation keeps our eCommerce experience at the forefront of cool. This extends to service, operations and technology. We aim to continuously raise the bar across both form and function. Whether it be aspirational site design, how we merchandise, captivating content and communications, or coming up with a creative technology solution – we plan to redefine the norms.
- *We plan to deliver an intuitive experience:* Our eCommerce platform aims to provide our clients further ease of use at all touchpoints. A word that is often used to describe Everyday Luxury is effortless, and this is the digital interpretation. We strive to offer a seamless, integrated, and highly shoppable experience. 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.

We plan to execute on our eCommerce roadmap: We aim to elevate our existing web platform and create new digital platforms. Our roadmap includes key initiatives such as brand new creative, an upgrade on our technology ecosystem, improved mobile experience and enhanced personalization.

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. Our distribution centres include a 223,000 square foot facility in New Westminster, British Columbia, a 150,000 square foot third-party facility in Mississauga, Ontario, and a 240,000 square foot third-party facility in Columbus, Ohio.

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. We also lease additional space outside of these three distribution centres to manage overflow inventory storage.

We completed retrofitting work in Fiscal 2023 in our New Westminster, British Columbia distribution centre in order to expand capability and capacity to accommodate the surge of eCommerce growth without having to add more space.

In Fiscal 2022 we broke ground on a new facility that we will be operating in Vaughan, Ontario and in Fiscal 2023 we commenced retrofitting work in the new facility which we expect will be completed in Fiscal 2024. 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 550,000 square feet distribution centre operated by Aritzia.

In Fiscal 2024, we plan to expand and take over the entire building in our Columbus, Ohio distribution centre, resulting in an additional 240,000 square feet for a total of 480,000 square feet in that facility. We also plan to undergo retrofitting work in this facility to further expand our capacity.

In Fiscal 2024 we plan to start construction on a new 380,000 square foot facility in Delta, British Columbia to replace our current distribution centre in New Westminster, British Columbia. This facility will be operated by us and

is expected to be operational in Fiscal 2026. We will be retaining our current facility in New Westminster, British Columbia for storage and office space purposes, among other things.

Our current facilities are set up to flexibly manage multi-channel and omni-channel demands, as our business continues to grow, but these expansions will support both our retail and eCommerce businesses with added capacity to handle higher levels of throughput.

Omni-Channel Capabilities

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, pick-up in store. The project includes multiple workstreams spanning a store order fulfillment solution, the physical optimization of our backroom spaces, foundational order sourcing technology, and enhancements to our digital client 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 clients to self-serve on common product availability related questions.
- Buy Online, Ship From Store – We intend to launch this capability 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, Pick-up In Store – We intend to launch this capability to provide 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 our boutique teams to maintain accurate inventory and monitor performance on key fulfillment metrics.

Environment, Social & Governance ("ESG")

As a prominent player in the fashion industry, Aritzia acknowledges the role it has to play in accelerating its ESG commitments and performance. At Aritzia, Community refers to the contributions we make to People and the Planet. Our Community priorities span across our operations and wider value chain — from raw material sourcing, third-party manufacturing suppliers, product use and end-of-life, as well as across our boutiques, distribution centres, and offices. We know that the choices we make at every level of our business matter, and with them, we seek to demonstrate consciousness and responsibility for People and the Planet. With the goal to strengthen our positive impact, initiatives are embedded throughout our organization with oversight shared across multiple departments. To ignite meaningful change, we take an evidence-based approach with a focus on delivering long-term impact.

We prioritize our efforts based on our material impacts, opportunities and risks as identified by Aritzia’s materiality assessment as well as The Sustainability Accounting Standards Board’s (SASB) reporting framework for the Apparel, Accessories and Footwear industry, the United Nations Sustainable Development Goals, and the Taskforce for Climate-Related Financial Disclosures (TCFD).

In January of 2022, Aritzia formalized its approach to the oversight of environmental and social ("E&S") issues when it established the Environmental and Social Committee of the Board of Directors to guide and inform Aritzia's E&S strategies. In Fiscal 2023, Aritzia also formed a Community Executive Committee, comprised of cross-functional leaders, to act as a central body to manage all business activities relating to People and Planet.

- People – We are committed to supporting people to thrive across the following areas: Our People, Supply Chain, and Communities.
- Planet – Aritzia's priority Planet impact areas include climate, water and materials. Across each of these, we address our footprint at each stage of the value chain. We are developing a climate strategy and roadmap that champions emissions reductions and adapts to the impacts of climate change. To guide this

strategy we submitted a letter of intent in November 2022 to the Science-Based Targets initiative confirming our commitment to set greenhouse gas emissions reduction targets by November 2024.

- Risk Management – In Fiscal 2023, Aritzia engaged with internal and external stakeholders to conduct a materiality assessment and worked with an expert consultant to validate the approach.
- Metrics and Performance Indicators – We are working to increase our disclosures against key ESG performance indicators and each year will report our progress in our Aritzia Community | ESG Report. With the support of third-party partners and data management systems, we are able to assess the accuracy of our analysis and identify opportunities for improvement.

For a more detailed discussion on our ESG metrics and key performance indicators, refer to the FY2022 Aritzia Community™ | ESG Report, available on Aritzia's Environmental and Social Investor Relations page at investors.aritzia.com and for details on our ESG impacts and progress 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 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	16%
Second fiscal quarter	24%
Third fiscal quarter	30%
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 apparel industry, primarily within the Canadian and United States markets. 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 our clients all over the world.

Foreign Exchange

Approximately half of our net revenue is derived in each of Canadian and U.S. dollars while the vast majority of our inventory purchases are denominated in U.S. dollars which affects our cost of goods sold. 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 the “Risk Factors” section of this MD&A.

NON-IFRS MEASURES AND RETAIL INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures and 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 financial measures including “EBITDA”, “Adjusted EBITDA”, and “Adjusted Net Income”; non-IFRS ratios including “Adjusted Net Income per Diluted Share”, "Adjusted EBITDA as a percentage of net revenue", and "Adjusted Net Income as a percentage of net revenue"; and capital management measures including “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 by other retailers. Gross profit margin and comparable sales growth are considered supplementary financial measures under applicable securities laws. These non-IFRS measures and 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 and retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures and 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 of these non-IFRS measures and retail industry metrics and reconciliations of these non-IFRS financial measures to the relevant reported measures, please see the “How We Assess the Performance of Our Business” and “Selected Financial Information” 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 for 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. Receipts from

the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the related revenue is recognized.

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 monthly 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 in Fiscal 2022 and Fiscal 2021 which resulted in boutiques being removed from our comparable store base, we believe total comparable sales growth was not representative of the underlying trends of our business and therefore we have not reported figures on this metric for Fiscal 2022 or Fiscal 2021 in this MD&A.

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs, occupancy costs, and depreciation expense for our boutiques and distribution centres. 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 technology, 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 net revenue volume first and second quarters, and lower in the higher net revenue 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. We believe this measure is useful as it is used by management as a component of reconciliation between other non-IFRS measures and their most comparable IFRS measure.

Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue are useful measures of operating performance, as we believe they provide a more relevant picture of operating results in that the measures exclude 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 and Adjusted EBITDA as a percentage of net revenue to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted EBITDA as consolidated net income before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, a deduction of interest expense and depreciation relating to our leases to reflect an estimate of rent expense, fair value adjustment for inventories acquired in CYC, fair value adjustments on NCI in exchangeable shares liability and other non-cash items and/or items we consider non-recurring and not representative of our ongoing operating performance. Because Adjusted EBITDA excludes certain non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges. We define Adjusted EBITDA as a percentage of net revenue as the percentage obtained by dividing Adjusted EBITDA by net revenue.

Adjusted Net Income (and per Diluted Share) and Adjusted Net Income as a percentage of net revenue are useful measures of performance, as we believe they provide 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, Adjusted Net Income per Diluted Share, and Adjusted Net Income as a percentage of net revenue to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted

Net Income as consolidated net income, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, fair value adjustment for inventories acquired in CYC, fair value adjustments in NCI in exchangeable shares liability and other non-cash items and/or other items we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. We define Adjusted Net Income per Diluted Share by dividing Adjusted Net Income by the weighted average number of diluted shares outstanding. We define Adjusted Net Income as a percentage of net revenue as the percentage obtained by dividing Adjusted Net Income by net revenue.

Capital cash expenditures (net of proceeds from lease incentives) is a measure we believe is a 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 a useful 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.

RESULTS OF OPERATIONS

Analysis of Results for Fourth Quarter Fiscal 2023

Consolidated Statements of Operations					
(in thousands of Canadian dollars, unless otherwise noted)	Q4 2023		Q4 2022		
		Percentage of net revenue			*Percentage of net revenue*
Net revenue	$ 637,582	100.0%	$ 444,322	100.0%	
Cost of goods sold	395,422	62.0%	264,816	59.6%	
Gross profit	242,160	38.0%	179,506	40.4%	
Operating expenses					
Selling, general and administrative	171,299	26.9%	120,221	27.1%	
Stock-based compensation expense	3,157	0.5%	5,725	1.3%	
Income from operations	67,704	10.6%	53,560	12.1%	
Finance expense	9,501	1.5%	6,092	1.4%	
Other expense (income)	4,052	0.6%	740	0.2%	
Income before income taxes	54,151	8.5%	46,728	10.5%	
Income tax expense	16,813	2.6%	12,503	2.8%	
Net income	$ 37,338	5.9%	$ 34,225	7.7%	
Net income per diluted share	$ 0.32		$ 0.29		
Adjusted EBITDA[1]	$ 79,354	12.4%	$ 66,303	14.9%	
Adjusted Net Income[1]	$ 46,671	7.3%	$ 39,475	8.9%	
Adjusted Net Income per Diluted Share[1]	$ 0.40		$ 0.34		

Net revenue increased by 43.5% to $637.6 million, compared to $444.3 million in Q4 2022. The Company continued to see strong momentum in the United States, where net revenue increased by 55.7% to $337.5 million, compared to $216.8 million in Q4 2022. Net revenue in Canada increased by 31.9% to $300.1 million, compared to $227.5 million in Q4 2022.

- **Retail net revenue** increased by 38.4% to $363.1 million, compared to $262.4 million in Q4 2022. The increase was led by strong performance of our existing and new boutiques in both the United States and Canada. Boutique count[4] at the end of Q4 2023 totaled 114 compared to 106 boutiques at the end of Q4 2022.
- **eCommerce net revenue** increased by 50.8% to $274.5 million, compared to $182.0 million in Q4 2022, driven by exceptional performance in both Canada and the United States.

[4] CYC had four boutiques as at February 26, 2023 and February 27, 2022 which are excluded from the boutique count.

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

(in thousands of Canadian dollars)	Q4 2023	Q4 2022
Retail net revenue	$ 363,101	$ 262,354
eCommerce net revenue	274,481	181,968
Net revenue	$ 637,582	$ 444,322

	Q4 2023	Q4 2022
United States net revenue	$ 337,456	$ 216,798
Canada net revenue	300,126	227,524
Net revenue	$ 637,582	$ 444,322

Gross profit increased by 34.9% to $242.2 million, compared to $179.5 million in Q4 2022. Gross profit margin was 38.0%, compared to 40.4% in Q4 2022. The 240 bps decrease in gross profit margin was primarily driven by additional warehousing costs related to inventory management, ongoing inflationary pressures, normalized markdowns and foreign exchange headwinds. These impacts were partially offset by lower expedited freight costs and leverage on occupancy and depreciation costs.

SG&A expenses increased by 42.5% to $171.3 million, compared to $120.2 million in Q4 2022. SG&A expenses were 26.9% of net revenue, compared to 27.1% in Q4 2022. The increase in SG&A expenses was primarily due to additional investments in retail talent to help ensure the Company continues to deliver exceptional client services, as well as ongoing investments in talent, marketing initiatives and technology to help support its growth.

Depreciation and amortization increased by $8.1 million to $37.8 million, compared to $29.7 million in Q4 2022. The following table provides the depreciation and amortization expense for the periods indicated.

(in thousands of Canadian dollars)	Q4 2023	Q4 2022
Depreciation on right-of-use assets	$ 23,164	$ 17,593
Depreciation and amortization	14,617	12,110
Total depreciation and amortization	$ 37,781	$ 29,703

Stock-based compensation expense was $3.2 million, compared to $5.7 million in Q4 2022. The following table provides details of the stock-based compensation expense for the periods indicated.

(in thousands of Canadian dollars)	Q4 2023	Q4 2022
Equity-settled plans		
Stock options	$ 4,134	$ 2,725
Restricted Share Units	1,024	—
Performance Share Units	726	451
Cash-settled plans		
Restricted Share Units	(1,393)	2,466
Deferred Share Units	(1,334)	83
Stock-based compensation expense	$ 3,157	$ 5,725

The Company uses equity derivative contracts to offset our cash flow variability of the expected payment associated with our cash-settled deferred and restricted share units. Realized and unrealized gains and losses related to these equity derivative contracts are recorded in other expense (income).

Finance expense increased by $3.4 million to $9.5 million, compared to $6.1 million in Q4 2022. The increase in finance expense was primarily due to higher interest expense on lease liabilities in Q4 2023.

Other expense (income) was $4.1 million, compared to $0.7 million in Q4 2022. The following table provides details of other expense (income) for the periods indicated.

(in thousands of Canadian dollars)	**Q4 2023**	**Q4 2022**
Realized foreign exchange loss (gain)	$ 493	$ (150)
Unrealized foreign exchange loss (gain)	(1,941)	358
Fair value adjustment of NCI in exchangeable shares liability	—	—
Unrealized loss (gain) on equity derivative contracts	6,136	994
CYC integration and acquisition costs	467	—
Interest and other income	(1,103)	(462)
Other expense (income)	$ 4,052	$ 740

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 2023 and Q4 2022 were 26.6%.

Income tax expense was $16.8 million, compared to $12.5 million in Q4 2022 and the effective tax rates for Q4 2023 and Q4 2022 were 31.0% and 26.8%, 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 $37.3 million, an increase of 9.1% compared to $34.2 million in Q4 2022. The increase in net income was primarily attributable to the factors described above.

Net income per diluted share was $0.32, an increase of 10.3% compared to $0.29 in Q4 2022, primarily due to the factors discussed above.

Adjusted EBITDA[1] was $79.4 million, or 12.4% of net revenue[1], an increase of 19.7% compared to $66.3 million, or 14.9% of net revenue in Q4 2022. The decrease in Adjusted EBITDA as a percentage of net revenue was attributable to the factors described above.

Adjusted Net Income[1] was $46.7 million, an increase of 18.2% compared to $39.5 million in Q4 2022, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share[1] was $0.40, an increase of 17.6% compared to $0.34 in Q4 2022, primarily due to the factors discussed above.

Cash and cash equivalents at the end of Q4 2023 totaled $86.5 million compared to $265.2 million at the end of Q4 2022.

Inventory at the end of Q4 2023 was $467.6 million, an increase of 124.7% compared to $208.1 million at the end of Q4 2022. As a reminder, in Fiscal 2023 the Company made the strategic decision to build back its inventory base due to unprecedented sales growth, mitigate supply chain risk, and help ensure the Company's ability to fuel the robust demand for its product. On top of that, improved freight timelines resulted in inventory arriving even sooner than anticipated, compared to the prior year when Spring and Summer inventory arrived late, contributing to the year-over-year increase. The Company remains on track for its inventory to normalize by the end of the second quarter of Fiscal 2024 and expects normalized markdowns in Fiscal 2024 to be no greater than pre-pandemic levels.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $38.5 million in Q4 2023, compared to $16.4 million in Q4 2022. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers, support offices and technology infrastructure.

Analysis of Results for Fiscal 2023

Consolidated Statements of Operations *(in thousands of Canadian dollars, unless otherwise noted)*	Fiscal 2023		Fiscal 2022	
		Percentage of net revenue		*Percentage of net revenue*
Net revenue	$ 2,195,630	100.0%	$ 1,494,630	100.0%
Cost of goods sold	1,281,638	58.4%	839,678	56.2%
Gross profit	913,992	41.6%	654,952	43.8%
Operating expenses				
Selling, general and administrative	602,469	27.4%	392,802	26.3%
Stock-based compensation expense	24,369	1.1%	26,131	1.7%
Income from operations	287,154	13.1%	236,019	15.8%
Finance expense	31,263	1.4%	25,202	1.7%
Other expense (income)	(7,916)	(0.4)%	(8,783)	(0.6)%
Income before income taxes	263,807	12.0%	219,600	14.7%
Income tax expense	76,219	3.5%	62,683	4.2%
Net income	$ 187,588	8.5%	$ 156,917	10.5%
Net income per diluted share	$ 1.63		$ 1.36	
Adjusted EBITDA[1]	$ 351,181	16.0%	$ 289,385	19.4 %
Adjusted Net Income[1]	$ 214,771	9.8%	$ 176,736	11.8 %
Adjusted Net Income per Diluted Share[1]	$ 1.86		$ 1.53	

Net revenue increased by 46.9% to $2.2 billion, compared to $1.5 billion in Fiscal 2022. The Company continued to see exceptional momentum in the United States, where net revenue increased by 65.8% to $1.1 billion compared to $676.1 million in Fiscal 2022. The Company also saw meaningful growth in Canada where net revenue increased by 31.3% to $1.1 billion, compared to $818.5 million in Fiscal 2022.

– **Retail net revenue** increased by 53.3% to $1.4 billion, compared to $930.3 million in Fiscal 2022. The increase in revenue was led by strong performance of our existing and new boutiques in the United States, strong double digit comparable sales growth in Canada, as well as boutique revenue from 34 of our boutiques which were closed for approximately two-thirds of the first quarter of Fiscal 2022 ("Q1 2022") and one-third of the second quarter of Fiscal 2022 ("Q2 2022").

– **eCommerce net revenue** increased by 36.4% to $769.9 million, compared to $564.3 million in Fiscal 2022. Overall eCommerce net revenue growth was moderated by the channel shift to retail in Eastern Canada where 34 of our boutiques were closed for approximately two-thirds of Q1 2022 and one-third of Q2 2022.

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

(in thousands of Canadian dollars)	Fiscal 2023	Fiscal 2022
Retail net revenue	$ 1,425,779	$ 930,290
eCommerce net revenue	769,851	564,340
Net revenue	$ 2,195,630	$ 1,494,630

	Fiscal 2023	Fiscal 2022
United States net revenue	$ 1,120,962	$ 676,135
Canada net revenue	1,074,668	818,495
Net revenue	$ 2,195,630	$ 1,494,630

Gross profit increased by 39.6% to $914.0 million, compared to $655.0 million in Fiscal 2022. Gross profit margin was 41.6%, compared to 43.8% in Fiscal 2022. The 220 bps decrease in gross profit margin was primarily due to inflationary pressures, additional warehousing costs, and normalized markdowns from Fiscal 2022 due to low inventory levels last year and foreign exchange headwinds. These impacts were partially offset by leverage on occupancy and depreciation costs and lower freight costs.

SG&A expenses increased by 53.4% to $602.5 million, compared to $392.8 million in Fiscal 2022. SG&A expenses were 27.4% of net revenue, compared to 26.3% in Fiscal 2022. The increase in SG&A expenses was primarily due to additional investments in retail talent to help ensure the Company continues to deliver exceptional client services, as well as ongoing investments in talent, marketing initiatives and technology to help support its growth.

Depreciation and amortization increased by $21.3 million to $133.9 million, compared to $112.6 million in Fiscal 2022. The following table provides the depreciation and amortization expense for the periods indicated.

(in thousands of Canadian dollars)	Fiscal 2023	Fiscal 2022
Depreciation on right-of-use assets	$ 81,047	$ 68,058
Depreciation and amortization	52,855	44,569
Total depreciation and amortization	$ 133,902	$ 112,627

Stock-based compensation expense was $24.4 million, compared to $26.1 million in Fiscal 2022. The following table provides details of the stock-based compensation expense for the periods indicated.

(in thousands of Canadian dollars)	Fiscal 2023	Fiscal 2022
Equity-settled plans		
Stock options	$ 14,467	$ 10,171
Restricted Share Units	2,666	—
Performance Share Units	2,409	1,136
Cash-settled plans		
Restricted Share Units	4,742	10,866
Deferred Share Units	85	3,958
Stock-based compensation expense	$ 24,369	$ 26,131

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

Finance expense increased by $6.1 million to $31.3 million, compared to $25.2 million in Fiscal 2022. The increase in finance expense was primarily due to higher interest expense on lease liabilities in Fiscal 2023.

Other expense (income) was $(7.9) million, compared to $(8.8) million in Fiscal 2022. The following table provides details of other expense (income) for the periods indicated.

(in thousands of Canadian dollars)	Fiscal 2023	Fiscal 2022
Realized foreign exchange loss (gain)	$ (9,109)	$ 1,685
Unrealized foreign exchange loss (gain)	(1,657)	(2,839)
Fair value adjustment of NCI in exchangeable shares liability	—	2,000
Unrealized loss (gain) on equity derivative contracts	6,093	(11,192)
Realized loss (gain) on equity derivative contracts	(1,387)	—
CYC integration and acquisition costs	467	2,633
2022 and 2021 secondary offering costs	518	530
Interest and other income	(2,841)	(1,600)
Other expense (income)	$ (7,916)	$ (8,783)

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 2023 and Fiscal 2022 were 26.6%.

Income tax expense was $76.2 million, compared to $62.7 million in Fiscal 2022 and the effective tax rates for Fiscal 2023 and Fiscal 2022 were 28.9% and 28.5%, 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 $187.6 million, an increase of 19.5% compared to $156.9 million in Fiscal 2022. The increase in net income was primarily attributable to the factors described above.

Net income per diluted share was $1.63, an increase of 19.9%, compared to $1.36 in Fiscal 2022, primarily due to the factors discussed above.

Adjusted EBITDA[1] was $351.2 million, or 16.0% of net revenue[1], an increase of 21.4%, compared to $289.4 million, or 19.4% of net revenue in Fiscal 2022. The decrease in Adjusted EBITDA as a percentage of net revenue was attributable to the factors described above.

Adjusted Net Income[1] was $214.8 million, an increase of 21.5%, compared to $176.7 million in Fiscal 2022, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share[1] was $1.86, an increase of 21.6%, compared to $1.53 in Fiscal 2022, primarily due to the factors discussed above.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $112.1 million in Fiscal 2023, compared to $52.6 million in Fiscal 2022. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers, support offices and technology infrastructure.

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 revolving 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

We have a revolving credit facility of $175.0 million which bears interest at banker's acceptance rate (BA), London Inter-Bank Offered Rate (LIBO) or Canadian prime rate, plus a marginal rate between 0.50% and 2.50%. As at February 26, 2023, no amounts were drawn on the revolving credit facility.

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.

In addition, we also have letters of credit facilities of CAD$50.0 million and US$40.0 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.

Cash Flows

The following table presents cash flows for the periods indicated.

(in thousands of Canadian dollars)	**Q4 2023**	**Q4 2022**	**Fiscal 2023**	**Fiscal 2022**
Net cash generated from operating activities	$ 10,184	$ 733	$ 74,913	$ 338,353
Net cash used in financing activities	(15,295)	(20,171)	(122,537)	(124,093)
Cash used in investing activities	(41,240)	(20,734)	(131,213)	(99,576)
Effect of exchange rate changes on cash and cash equivalents	963	(515)	102	1,414
Change in cash and cash equivalents	$ (45,388)	$ (40,687)	$ (178,735)	$ 116,098

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2023

Net Cash Generated from Operating Activities

For Q4 2023, net cash generated from operating activities totaled $10.2 million, compared to $0.7 million in Q4 2022. This change was primarily attributable to an increase in income from operations and a lower use of working capital due to lower inventory purchases and timing of payments, partially offset by an increase in income taxes paid.

For Fiscal 2023, net cash generated from operating activities totaled $74.9 million, compared to $338.4 million in Fiscal 2022. This change was primarily attributable to a higher use of working capital due to higher inventory purchases and timing of payments along with an increase in income taxes paid, partially offset by an increase in income from operations.

Net Cash Used in Financing Activities

For Q4 2023, net cash used in financing activities totaled $15.3 million, compared to $20.2 million in Q4 2022. Financing activities in Q4 2023 primarily relate to the repayment of principal on lease liabilities, partially offset by proceeds received from options exercised and proceeds received from lease incentives. Financing activities in Q4 2022 primarily relate to the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation under the 2022 normal course issuer bid, partially offset by proceeds received from options exercised and proceeds received from lease incentives.

For Fiscal 2023, net cash used in financing activities totaled $122.5 million, compared to $124.1 million in Fiscal 2022. Financing activities in Fiscal 2023 primarily relate to the repayment of principal on lease liabilities and the $61.1 million repurchase of subordinate voting shares for cancellation under the 2022 normal course issuer bid, partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in Fiscal 2022 primarily relate to a $75.0 million term loan repayment, the repayment of principal

on lease liabilities and the repurchase of subordinate voting shares for cancellation, under the 2022 normal course issuer bid, partially offset by proceeds received from lease incentives and proceeds received from options exercised.

Cash Used in Investing Activities

For Q4 2023, cash used in investing activities totaled $41.2 million, compared to $20.7 million in Q4 2022. Investing activities in Q4 2023 and Q4 2022 primarily relate to new boutiques, boutique expansions and repositions, and distribution center and support office projects.

For Fiscal 2023, cash used in investing activities totaled $131.2 million, compared to $99.6 million in Fiscal 2022. Investing activities in Fiscal 2023 primarily relate to new boutiques, boutique expansions and repositions, and distribution center projects as well as a $5.6 million contingent consideration payout to CYC's shareholders. Investing activities in Fiscal 2022 primarily relate to the acquisition of CYC, net of cash assumed of $32.6 million, new boutiques, boutique expansions and repositions and distribution center and support office projects.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 26, 2023.

(in thousands of Canadian dollars)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 221,712	$ —	$ —	$ 221,712
Lease liabilities	152,520	443,102	376,490	972,112
Contingent consideration	6,619	—	—	6,619
Minimum lease commitments with future commencement dates	2,632	45,309	98,202	146,143
Total contractual obligations and commitments	$ 383,483	$ 488,411	$ 474,692	$ 1,346,586

As part of the CYC acquisition, CYC issued exchangeable shares to minority shareholders in exchange for their 25% share of the total common shares at acquisition, resulting in a non-controlling interest in exchangeable shares liability (refer to section below "Financial Instruments - Non-controlling interest in exchangeable shares liability"). As at February 26, 2023, the fair value of the non-controlling interest in exchangeable shares liability was $35.5 million (February 27, 2022 - $35.5 million).

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 26, 2023, we had purchase obligations of $158.0 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 26, 2023, letters of credit totaling $31.6 million have been issued.

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. The significant assumptions made in determining the fair value of our financial instruments are disclosed in note 13 to our audited annual consolidated financial statements for Fiscal 2023 and in the "Critical Accounting Estimates and Judgments" section of this MD&A.

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 the acquisition date of CYC on June 25, 2021, we recorded a contingent consideration liability of $13.2 million which is payable in two equal installments of

$6.6 million on May 31, 2022 and May 31, 2023. In May 2022, the first installment was paid to CYC net of $1.0 million in indemnities and shared costs pursuant to the CYC purchase agreement. In Fiscal 2023, there was no change in fair value of the remaining contingent consideration given the targets set out in calculating the contingent consideration were already met during the predefined measurement period.

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 26, 2023, the fair value of the non-controlling interest in exchangeable shares liability was $35.5 million (February 27, 2022 - $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. During Fiscal 2023, the Company recorded unrealized losses of $6.1 million (Fiscal 2022 - unrealized gains of $11.2 million) for the change in fair value for these contracts and realized gains of $1.4 million (Fiscal 2022 - $nil) arising from the settlement of these equity derivative contracts. As at February 26, 2023, the equity derivative contracts had a positive fair value of $9.5 million (February 27, 2022 - $15.6 million) which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During Fiscal 2023, we made payments of $5.4 million (Fiscal 2022 - $4.9 million) for lease of premises and management services and $1.3 million (Fiscal 2022 - $1.0 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 26, 2023, a nominal amount was included in accounts payable and accrued liabilities (February 27, 2022 - $0.5 million). As at February 26, 2023, the outstanding balance of lease liabilities owed to these companies was $49.7 million (February 27, 2022 - $13.3 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 2023**	**Q4 2022**	**Fiscal 2023**	**Fiscal 2022**
Salaries, directors' fees and short-term benefits	1,059	1,114	4,404	4,906
Stock-based compensation	344	1,232	6,617	8,685
	$ 1,403	$ 2,346	$ 11,021	$ 13,591

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 cash generating units ("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 estimated future operating results, expected volatility, anticipated timing and discount rate associated with the obligation.

ACCOUNTING POLICY DEVELOPMENTS

Standards Issued But Not Yet Adopted

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

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. 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 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 are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. 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 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 effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. 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. 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 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. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The Company is currently assessing the potential impact of these amendments.

RISK FACTORS

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

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, 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 currency 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 26, 2023, 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 AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that they can make appropriate and timely decisions regarding public disclosure.

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 and effective operation of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO, as at February 26, 2023. They concluded that, as at February 26, 2023 the design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

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 and the effective operation of the Company's internal control over financial reporting as defined in NI 52-109, as at February 26, 2023. 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 26, 2023.

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 Q4 2023 and during Fiscal 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of May 1, 2023, an aggregate of 90,054,526 subordinate voting shares, 20,437,349 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 Executive Chair. As of May 1, 2023, an aggregate of 9,027,174 options, 201,060 performance share units and 356,322 restricted 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 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[5]

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2023				Fiscal 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial Summary:								
Net revenue	$ 637,582	$ 624,615	$ 525,523	$ 407,910	$ 444,322	$ 453,323	$ 350,069	$ 246,916
Cost of goods sold	395,422	353,952	305,250	227,014	264,816	243,181	193,873	137,808
Gross profit	242,160	270,663	220,273	180,896	179,506	210,142	156,196	109,108
SG&A	171,299	163,737	147,154	120,279	120,221	110,084	92,115	70,382
Income from operations	67,704	95,368	64,138	59,944	53,560	90,949	55,819	35,691
Net income	37,338	70,728	46,261	33,261	34,225	64,941	39,848	17,903
Net income per share	$ 0.34	$ 0.64	$ 0.42	$ 0.30	$ 0.31	$ 0.59	$ 0.36	$ 0.16
Net income per diluted share	$ 0.32	$ 0.61	$ 0.40	$ 0.29	$ 0.29	$ 0.56	$ 0.35	$ 0.16
Adjusted EBITDA[6]	$ 79,354	$ 119,618	$ 82,563	$ 69,646	$ 66,303	$ 109,289	$ 72,891	$ 40,902
Adjusted Net Income[6]	$ 46,671	$ 76,610	$ 50,619	$ 40,871	$ 39,475	$ 71,199	$ 44,411	$ 21,651
Adjusted Net Income[6] per Diluted Share	$ 0.40	$ 0.67	$ 0.44	$ 0.35	$ 0.34	$ 0.61	$ 0.39	$ 0.19
Weighted average number of diluted shares outstanding (in thousands)	115,249	115,154	114,457	116,080	116,774	116,140	115,265	114,711
Cash and cash equivalents	$ 86,510	$ 131,898	$ 65,424	$ 179,358	$ 265,245	$ 305,932	$ 131,796	$ 157,878
Capital cash expenditures (net of proceeds from lease incentives)[6]	$ (38,503)	$ (26,362)	$ (22,830)	$ (24,355)	$ (16,434)	$ (20,318)	$ (9,333)	$ (6,522)
Free cash flow[6]	$ (49,193)	$ 68,297	$ (84,514)	$ (54,246)	$ (37,047)	$ 169,704	$ 77,347	$ 11,933
Percentage of Net Revenue:								
Gross profit	38.0%	43.3%	41.9%	44.3%	40.4	46.4%	44.6%	44.2%
SG&A	26.9%	26.2%	28.0%	29.5%	27.1	24.3%	26.3%	28.5%
Net income	5.9%	11.3%	8.8%	8.2%	7.7	14.3%	11.4%	7.3%
Adjusted EBITDA[6]	12.4%	19.2%	15.7%	17.1%	14.9	24.1%	20.8%	16.6%
Adjusted Net Income[6]	7.3%	12.3%	9.6%	10.0%	8.9	15.7%	12.7%	8.8%
Other Metrics:								
Net revenue growth	43.5%	37.8%	50.1%	65.2%	66.1%	62.9%	74.9%	121.7%
Comparable sales growth[6]	32.2%	22.8%	28.3%	29.4%	n/a	n/a	n/a	n/a
Boutiques:[4]								
Number of boutiques, beginning of period	113	112	109	106	105	104	102	101
New boutiques added	2	—	3	3	2	1	2	1
Repositioned to a flagship boutique	(1)	—	—	—	—	—	—	—
Pop-up boutique converted to a permanent boutique	—	1	—	—	—	—	—	—
Boutique closure	—	—	—	—	(1)	—	—	—
Number of boutiques, end of period	114	113	112	109	106	105	104	102
Boutiques expanded or repositioned	1	4	—	—	1	4	1	—

[5] For a discussion of the factors that have caused variations in our business over the last eight quarters, please refer to the "Results of Operations sections in this MD&A, and in our Q3 2023 MD&A dated January 11, 2023 for the 13-week period ended November 27, 2022, our Q2 2023 MD&A dated October 12, 2022 for the 13-week period ended August 28, 2022, our Q1 2023 MD&A dated July 7, 2022 for the 13-week period ended May 29, 2022, our Q3 2022 MD&A dated January 12, 2022 for the 13-week period ended November 28, 2021, our Q2 2022 MD&A dated October 13, 2021 for the 13-week period ended August 29, 2021 and our Q1 2022 MD&A dated July 13, 2021 for the 13-week period ended May 30, 2021, which are available on SEDAR.

[6] See “How We Assess the Performance of Our Business” for definitions of Adjusted EBITDA and Adjusted Net Income which are non-IFRS financial measures, Adjusted Net Income per Diluted Share, Adjusted EBITDA as a percentage of net revenue and Adjusted Net Income as a percentage of net revenue which are non-IFRS ratios, Capital Cash Expenditures (net of proceeds from lease incentives) and Free Cash Flow which are capital management measures, and comparable sales growth which is a supplementary financial measure. See also “Non-IFRS Measures and Retail Industry Metrics”.