ARITZIA

Aritzia Inc.

Condensed Interim Consolidated
Financial Statements
Third Quarter of Fiscal 2024

For the 13-week and 39-week periods ended
November 26, 2023 and November 27, 2022

Aritzia Inc.

Condensed Interim Consolidated Statements of Financial Position

As at November 26, 2023 and February 26, 2023

(Unaudited, in thousands of Canadian dollars)

	Note	November 26, 2023	February 26, 2023
Assets			
Cash and cash equivalents		**$ 140,804**	$ 86,510
Accounts receivable		**19,759**	18,184
Income taxes recoverable		**16,482**	6,419
Inventory	5	**397,002**	467,634
Prepaid expenses and other current assets	11	**34,510**	33,101
Total current assets		**$ 608,557**	$ 611,848
Property and equipment	6	**406,887**	308,608
Intangible assets		**85,082**	86,382
Goodwill		**198,846**	198,846
Right-of-use assets	7	**630,370**	614,061
Other assets	11	**5,422**	3,830
Deferred tax assets	17	**14,938**	12,968
Total assets		**$ 1,950,102**	$ 1,836,543
Liabilities			
Accounts payable and accrued liabilities	8, 11	**$ 248,450**	$ 221,712
Current portion of contingent consideration	11	**—**	6,619
Current portion of lease liabilities	7	**116,889**	117,316
Deferred revenue		**95,235**	71,653
Total current liabilities		**$ 460,574**	$ 417,300
Lease liabilities	7	**682,761**	654,690
Other non-current liabilities	9	**11,218**	21,499
Non-controlling interest in exchangeable shares liability	11	**—**	35,500
Deferred tax liabilities	17	**22,067**	21,767
Total liabilities		**$ 1,176,620**	$ 1,150,756
Shareholders' equity			
Share capital	12	**$ 292,911**	$ 265,519
Contributed surplus		**92,857**	68,682
Retained earnings		**391,950**	355,270
Accumulated other comprehensive loss		**(4,236)**	(3,684)
Total shareholders' equity		**773,482**	685,787
Total liabilities and shareholders' equity		**$ 1,950,102**	$ 1,836,543
Commitments and contingencies	19		

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aritzia Inc.
Condensed Interim Consolidated Statements of Operations
For the 13-week and 39-week periods ended November 26, 2023 and November 27, 2022

(Unaudited, in thousands of Canadian dollars, except number of shares and per share amounts)

		13-week periods ended		39-week periods ended	
	Note	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Net revenue	15, 18	**$ 653,524**	$ 624,615	**$ 1,650,380**	$ 1,558,048
Cost of goods sold	16	**382,587**	353,952	**1,012,646**	886,216
Gross profit		**270,937**	270,663	**637,734**	671,832
Selling, general and administrative		**187,373**	163,737	**511,948**	431,170
Stock-based compensation expense	13, 16	**9,449**	11,558	**16,428**	21,212
Income from operations		**74,115**	95,368	**109,358**	219,450
Finance expense	7, 10, 16	**13,637**	9,056	**36,662**	21,762
Other expense (income)	11, 16	**(1,726)**	(11,994)	**(4,809)**	(11,968)
Income before income taxes		**62,204**	98,306	**77,505**	209,656
Income tax expense	17	**19,111**	27,578	**22,932**	59,406
Net income		**$ 43,093**	$ 70,728	**$ 54,573**	$ 150,250
Net income per share					
Basic	14	**$ 0.39**	$ 0.64	**$ 0.49**	$ 1.36
Diluted	14	**$ 0.38**	$ 0.61	**$ 0.48**	$ 1.30
Weighted average number of shares outstanding (thousands)					
Basic	14	**110,660**	109,810	**110,639**	110,242
Diluted	14	**113,332**	115,154	**114,232**	115,252

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aritzia Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

For the 13-week and 39-week periods ended November 26, 2023 and November 27, 2022

(Unaudited, in thousands of Canadian dollars)

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Net income	**$ 43,093**	$ 70,728	**$ 54,573**	$ 150,250
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation adjustment	**(435)**	(1,858)	**(552)**	(3,037)
Comprehensive income	**$ 42,658**	$ 68,870	**$ 54,021**	$ 147,213

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aritzia Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the 39-week periods ended November 26, 2023 and November 27, 2022

(Unaudited, in thousands of Canadian dollars, except number of shares)

	Multiple voting shares		Subordinate voting shares					
	Shares	Amounts	Shares	Amounts	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, February 27, 2022	21,937,349	$ 15,858	89,181,069	$ 235,433	$ 56,342	$ 223,553	$ (375)	$ 530,811
Net Income	—	—	—	—	—	150,250	—	150,250
Options exercised (note 13)	—	—	668,327	13,023	(5,064)	—	—	7,959
Stock-based compensation expense on equity-settled plans (note 13)	—	—	—	—	13,658	—	—	13,658
Share exchange at secondary offering (note 12)	(97,100)	(70)	97,100	70	—	—	—	—
Shares repurchased for cancellation (note 12)	—	—	(1,619,580)	(4,285)	—	(55,871)	—	(60,156)
Foreign currency translation adjustment	—	—	—	—	—	—	(3,037)	(3,037)
Balance, November 27, 2022	21,840,249	$ 15,788	88,326,916	$ 244,241	$ 64,936	$ 317,932	$ (3,412)	$ 639,485
Balance, February 26, 2023	**20,437,349**	**$ 14,774**	**90,005,261**	**$ 250,745**	**$ 68,682**	**$ 355,270**	**$ (3,684)**	**$ 685,787**
Net Income	**—**	**—**	**—**	**—**	**—**	**54,573**	**—**	**54,573**
Options exercised (note 13)	**—**	**—**	**606,595**	**14,129**	**(4,208)**	**—**	**—**	**9,921**
Stock-based compensation expense on equity-settled plans (note 13)	**—**	**—**	**—**	**—**	**21,737**	**—**	**—**	**21,737**
Shares repurchased for cancellation (note 12)	**—**	**—**	**(705,341)**	**(2,091)**	**—**	**(17,893)**	**—**	**(19,984)**
Shares issued to settle non-controlling interest in exchangeable shares liability (note 12)	**—**	**—**	**419,047**	**15,354**	**6,646**	**—**	**—**	**22,000**
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**(552)**	**(552)**
Balance, November 26, 2023	**20,437,349**	**$ 14,774**	**90,325,562**	**$ 278,137**	**$ 92,857**	**$ 391,950**	**$ (4,236)**	**$ 773,482**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Aritzia Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the 13-week and 39-week periods ended November 26, 2023 and November 27, 2022

(Unaudited, in thousands of Canadian dollars)

	Note	13-week periods ended		39-week periods ended	
		November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Operating activities					
Net income for the period		**$ 43,093**	$ 70,728	**$ 54,573**	$ 150,250
Adjustments for:					
Depreciation and amortization		**16,847**	13,434	**46,352**	38,238
Depreciation on right-of-use assets	7	**25,524**	21,204	**75,358**	57,883
Finance expense	16	**13,637**	9,056	**36,662**	21,762
Stock-based compensation expense	13, 16	**9,449**	11,558	**16,428**	21,212
Unrealized loss (gain) on equity derivative contracts	11, 16	**390**	(4,793)	**11,623**	(43)
Income tax expense	17	**19,111**	27,578	**22,932**	59,406
Amortization of deferred lease inducements		**(282)**	(265)	**(864)**	(804)
Fair value adjustment of non-controlling interest in exchangeable shares liability	16	**—**	—	**(15,000)**	—
Cash generated before non-cash working capital balances and interest and income taxes		**127,769**	148,500	**248,064**	347,904
Net change in non-cash working capital	21	**131,460**	(3,485)	**82,026**	(154,658)
Cash generated before interest and income taxes		**259,229**	145,015	**330,090**	193,246
Interest paid		**(2,328)**	(1,849)	**(5,148)**	(3,233)
Interest paid on lease liabilities	7	**(10,999)**	(7,207)	**(31,311)**	(18,528)
Income taxes paid		**(4,823)**	(21,227)	**(34,496)**	(106,756)
Net cash generated from (used in) operating activities		**241,079**	114,732	**259,135**	64,729
Financing activities					
Proceeds from revolving credit facility	10	**—**	—	**100,000**	—
Repayment of revolving credit facility	10	**(100,000)**	—	**(100,000)**	—
Payment of financing fees	10	**(611)**	—	**(611)**	—
Repayment of principal on lease liabilities	7	**(30,432)**	(21,922)	**(74,077)**	(64,878)
Proceeds from lease incentives		**3,976**	6,039	**15,850**	10,801
Proceeds from options exercised	13	**6,098**	6,389	**9,921**	7,959
Shares repurchased for cancellation	12	**(10,002)**	(5,336)	**(19,984)**	(61,124)
Net cash generated from (used in) financing activities		**(130,971)**	(14,830)	**(68,901)**	(107,242)
Investing activities					
Purchase of property and equipment	6	**(44,360)**	(31,314)	**(127,194)**	(82,600)
Purchase of intangible assets		**(984)**	(1,087)	**(2,231)**	(1,748)
Contingent consideration payout, net relating to the acquisition of CYC Design Corporation ("CYC")	11	**—**	—	**(6,303)**	(5,625)
Cash used in investing activities		**(45,344)**	(32,401)	**(135,728)**	(89,973)
Effect of exchange rate changes on cash and cash equivalents		**(476)**	(1,027)	**(212)**	(861)
Change in cash and cash equivalents		**64,288**	66,474	**54,294**	(133,347)
Cash and cash equivalents – Beginning of period		**76,516**	65,424	**86,510**	265,245
Cash and cash equivalents – End of period		**$ 140,804**	$ 131,898	**$ 140,804**	$ 131,898
Supplemental cash flow information	21				

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the “Company”) are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. The Company provides immersive and highly personal shopping experiences at aritzia.com and in 117 boutiques throughout Canada and the United States.

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada, V6C 2X8.

The Company’s subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol “ATZ”.

Basis of presentation

These unaudited condensed interim consolidated financial statements (“interim financial statements”) have been prepared under International Financial Reporting Standards (“IFRS”) in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements. Certain information, in particular the accompanying notes normally included in the audited annual consolidated financial statements prepared in accordance with IFRS, has been omitted or condensed. Accordingly, these interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended February 26, 2023 (“Fiscal 2023”). These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

The Company's fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2024 is a 53-week year and Fiscal 2023 was a 52-week year. All references to Fiscal 2024 represent the fiscal year ending March 3, 2024 and all references to Fiscal 2023 represent the fiscal year ended February 26, 2023.

Seasonality of operations

The Company’s business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the third and fourth quarters of each fiscal year as a result of increased net revenue during the back-to-school and holiday seasons.

These consolidated financial statements were authorized for issue on January 10, 2024 by the Company’s Board of Directors (“Board”).

2 Summary of significant accounting policies

These interim financial statements have been prepared using the accounting policies as outlined in note 2 of the Fiscal 2023 audited consolidated financial statements, with the exception of any accounting standards adopted in Fiscal 2024.

3 Accounting policy developments

Standards, interpretations and amendments issued and adopted

The Company assessed the impact of the following amendments and determined there is no material impact to the unaudited condensed interim consolidated financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8); and,
- Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

Standards, interpretations and amendments not yet effective and not yet applied

The Company is also currently assessing the potential impact of the following amendment:

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

4 Critical accounting estimates and judgments

The preparation of unaudited condensed interim 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.

In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied in note 4 of the Fiscal 2023 audited consolidated financial statements.

5 Inventory

		November 26, 2023		February 26, 2023
Finished goods	**$**	**344,482**	$	397,629
Finished goods-in-transit		**38,755**		60,527
Raw materials		**13,765**		9,478
Inventory	**$**	**397,002**	$	467,634

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of $1.0 million and $18.5 million for the 13-week and 39-week periods ended November 26, 2023 (13-week and 39-week periods ended November 27, 2022 - $1.4 million and $4.2 million, respectively). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the Company's revolving credit facility (note 10).

6 Property and equipment

During the 13-week and 39-week periods ended November 26, 2023, the Company had property and equipment additions of $48.8 million and $141.4 million, respectively (13-week and 39-week periods ended November 27, 2022 - $34.7 million and $88.2 million, respectively), the majority of which were related to leasehold improvements made to its boutiques, distribution centers and support offices, and the respective purchase of furniture and equipment for those spaces.

7 Leases

The Company has the right to use real estate properties for its boutiques, distribution centers and support offices under non-cancellable lease agreements, together with periods covered by an option to extend or terminate, if the Company is reasonably certain it will exercise those options.

The following table reconciles the change in right-of-use assets for the 39-week period ended November 26, 2023:

		Right-of-use assets
Cost		
Balance, February 26, 2023	$	**878,593**
Additions, net of lease incentives received		**93,942**
Modifications		**(5,209)**
Foreign exchange		**113**
Balance, November 26, 2023	$	**967,439**
Accumulated depreciation		
Balance, February 26, 2023	$	**264,532**
Depreciation		**74,959**
Amortization of fair value adjustment on CYC leases		**399**
Modifications		**(3,173)**
Foreign exchange		**352**
Balance, November 26, 2023	$	**337,069**
Net carrying value		
Balance, February 26, 2023	$	**614,061**
Balance, November 26, 2023	$	**630,370**

The following table reconciles the change in the lease liabilities for the 39-week period ended November 26, 2023:

		Lease liabilities
Balance, February 26, 2023	**$**	**772,006**
Additions		**105,581**
Interest expense on lease liabilities (note 16)		**31,311**
Repayment of interest and principal on lease liabilities		**(105,388)**
Modifications		**(4,089)**
Foreign exchange		**229**
Balance, November 26, 2023	**$**	**799,650**
Current portion of lease liabilities		**116,889**
Long-term portion of lease liabilities		**682,761**
Lease liabilities	**$**	**799,650**

The following table summarizes the Company's rent and rent-related expenses:

	13-week periods ended		39-week periods ended	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Depreciation on right-of-use assets, excluding fair value adjustments	**$ 25,391**	$ 21,071	**$ 74,959**	$ 57,484
Interest expense on lease liabilities (note 16)	**10,999**	7,207	**31,311**	18,528
Variable lease expense	**4,377**	8,555	**16,231**	20,451
Lease payments relating to short-term or low value leases	**906**	624	**2,532**	1,896
Common area maintenance, property taxes and other	**14,716**	10,301	**38,908**	29,533
Total rent and rent-related expenses	**$ 56,389**	$ 47,758	**$ 163,941**	$ 127,892

8 Accounts payable and accrued liabilities

	November 26, 2023	February 26, 2023
Trade accounts payable	**$ 141,852**	$ 149,422
Employee benefits payable	**56,526**	44,205
Other non-trade payables	**44,817**	22,351
Current portion of Restricted Share Unit ("RSU") plan liabilities (note 13)	**5,255**	5,734
Accounts payable and accrued liabilities	**$ 248,450**	$ 221,712

9 Other non-current liabilities

	November 26, 2023	February 26, 2023
RSU and Deferred Share Unit ("DSU") plan liabilities (note 13)	**$ 6,102**	$ 14,914
Deferred lease inducements	**4,693**	6,174
Asset retirement obligations	**423**	411
Other non-current liabilities	**$ 11,218**	$ 21,499

10 Bank indebtedness

On October 27, 2023, the Company refinanced its revolving credit facility, extending the term to October 27, 2026. As part of the refinancing, the Company increased its existing revolving credit facility from $175.0 million to $300.0 million. The Company incurred $0.6 million of financing fees as part of the refinancing in the 13-week period ended November 26, 2023, which have been deferred and are being amortized over the term of the facility. The refinancing is considered a debt modification under IFRS 9.

The revolving credit facility bears interest at banker's acceptance rate ("BA"), Secured Overnight Financing Rate ("SOFR") (prior to June 30, 2023, London Inter-Bank Offered Rate ("LIBO")) or Canadian prime rate, plus a marginal rate between 0.75% and 2.75% (February 26, 2023 – 0.50% and 2.50%). Up to $10.0 million of the facility can be drawn upon by way of a swingline loan. As at November 26, 2023, no amounts were drawn under the revolving credit facility (February 26, 2023 - $ nil).

The Company also has letters of credit facilities of CAD$50.0 million and US$40.0 million (February 26, 2023 - 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 1.17% and 2.75%. As at November 26, 2023, the amount available under these facilities was reduced to $81.0 million (February 26, 2023 - $72.9 million) by certain open letters of credit (note 19).

The revolving credit facility is collateralized by a first priority lien on all property and equipment, leased real property interests and inventory. In addition, the Company is required to maintain certain financial covenants. As at November 26, 2023 and February 26, 2023, the Company was in compliance with all financial covenants.

11 Financial instruments

Equity derivative contracts

The Company has equity derivative contracts (total return swaps) to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes.

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Unrealized loss (gain) on equity derivative contracts	**$ 390**	$ (4,793)	**$ 11,623**	$ (43)

	As at	
	November 26, 2023	**February 26, 2023**
Fair value of equity derivative contracts, asset (liability)	**$ (2,154)**	$ 9,468

Unrealized gains and losses for the change in fair value for equity derivative contracts are recorded in other expense (income) in the condensed interim consolidated statements of operations. The positive and negative fair values of these contracts are recorded in prepaid expenses and other current assets and accounts payable and accrued liabilities, respectively, in the consolidated statements of financial position.

Early 100% Acquisition of CYC

On May 26, 2023, the Company and CYC's exchangeable shareholders agreed to the Company's early acquisition of the remaining 25% ownership interest held through the CYC exchangeable shares. The Company issued 419,047 subordinate voting shares ("Upfront Shares") on May 26, 2023 and the right to receive additional subordinate voting shares ("Additional Shares") by March 31, 2026. The Upfront Shares were recognized in share capital ($15.4 million) and the Additional Shares with an estimated value up to $9.8 million were treated as compensation for future services with a portion recognized in contributed surplus ($6.6 million) and the remainder ($2.8 million) to be recognized over the period ending in Fiscal 2026.

The Upfront Shares are also subject to an escrow agreement with one third to be released at the end of each of Fiscal 2024, 2025 and 2026 and subject to future adjustments ("Share Adjustments"). The Share Adjustments are treated as an embedded derivative and recorded within other non-current assets ($1.5 million).

Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders in exchange for their 25% share of the total common shares at acquisition which resulted in recording a non-controlling interest in exchangeable shares liability. As a result of the Company's early acquisition of the remaining 25% CYC ownership interest, the Company revalued the non-controlling interest in exchangeable shares liability to $20.5 million as at May 26, 2023 based on a Monte Carlo simulation which resulted in a $15.0 million gain recorded in other expense (income) and immediately settled the exchangeable shares liability (February 26, 2023 - $35.5 million).

Contingent consideration

The Company had a contingent consideration under the CYC purchase agreement that was based on future operating results of CYC during the measurement period ended January 31, 2023. During the 39-week period ended November 26, 2023, $6.3 million was paid to the CYC shareholders net of indemnities and shared costs pursuant to the purchase agreement (39-week period ended November 27, 2022 - $5.6 million, net).

12 Share capital

Normal course issuer bids ("NCIB") and automatic share purchase plans ("ASPP")

During the 39-week period ended November 26, 2023, the Company repurchased a total of 705,341 subordinate voting shares for cancellation at an average price of $28.33 per subordinate voting share for total cash consideration of $20.0 million (39-week period ended November 27, 2022 - 1,619,580 subordinate voting shares for cancellation at an average price of $37.14 per subordinate voting share for total cash consideration of $60.2 million).

As at November 26, 2023, there were 20,437,349 multiple voting shares and 90,325,562 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at November 26, 2023. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

13 Stock-based compensation

Reflected in the consolidated statements of operations as stock-based compensation expense are the following amounts:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Equity-settled plans				
Stock options	**$ 5,457**	$ 4,087	**$ 13,870**	$ 10,333
Restricted Share Units	**1,767**	1,030	**4,235**	1,642
Performance Share Units	**1,354**	726	**3,632**	1,683
Cash-settled plans				
Restricted Share Units	**628**	3,912	**(2,978)**	6,136
Deferred Share Units	**243**	1,803	**(2,331)**	1,418
Stock-based compensation expense	**$ 9,449**	$ 11,558	**$ 16,428**	$ 21,212

Stock Options

Legacy Plan

Transactions for options granted under the Legacy Plan for the 39-week periods ended November 26, 2023 and November 27, 2022 were as follows:

	November 26, 2023		November 27, 2022	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding, at beginning of year	**1,846,630**	**5.48**	2,213,883	$ 5.35
Exercised	**(23,506)**	**4.87**	(252,780)	4.68
Outstanding, at end of period	**1,823,124**	**5.49**	1,961,103	$ 5.43

Omnibus Plan

Transactions for options granted under the Omnibus Plan for the 39-week periods ended ended November 26, 2023 and November 27, 2022 were as follows:

	November 26, 2023		November 27, 2022	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of period	**7,336,092**	**$ 24.92**	6,380,499	$ 21.16
Granted	**2,391,597**	**25.85**	1,684,224	36.25
Exercised	**(583,089)**	**16.82**	(417,317)	16.24
Forfeited	**(223,753)**	**31.83**	(144,782)	29.17
Outstanding, at end of period	**8,920,847**	**$ 25.52**	7,502,624	$ 24.67

Director Deferred Share Unit Plan

The following table summarizes information related to DSUs:

	39-week periods ended	
	November 26, 2023	November 27, 2022
Number of units		
Outstanding, at beginning of period	**182,811**	153,826
Granted	**39,030**	21,353
Outstanding, at end of period	**221,841**	175,179

Restricted Share Unit Plan

The following tables summarize information related to RSUs:

	39-week periods ended			
	November 26, 2023		November 27, 2022	
	Cash-settled	Equity-settled	Cash-settled	Equity-settled
Number of units				
Outstanding, at beginning of period	**496,221**	**360,588**	652,846	—
Granted	**—**	**465,999**	—	351,908
Settled	**(156,350)**	**—**	(81,427)	—
Forfeited	**(16,764)**	**(36,806)**	(39,231)	(3,445)
Outstanding, at end of period	**323,107**	**789,781**	532,188	348,463

Performance Share Unit Plan

The following table summarizes information related to PSUs for the 39-week periods ended November 26, 2023 and November 27, 2022:

	November 26, 2023	November 27, 2022
Number of units		
Outstanding, at beginning of period	**201,060**	96,836
Granted	**268,027**	104,224
Earned and unvested	**51,389**	64,557
Outstanding, at end of period	**520,476**	265,617

14 Net income per share

Basic

Basic net income per share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period. As all the classes of shares are subject to the same distribution rights, the Company performs the net income per share calculations as if all shares are a single class.

	13-week periods ended		39-week periods ended	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Net income attributable to shareholders of the Company	**$ 43,093**	$ 70,728	**$ 54,573**	$ 150,250
Weighted average number of shares outstanding during the period (thousands)	**110,660**	109,810	**110,639**	110,242
Basic net income per share	**$ 0.39**	$ 0.64	**$ 0.49**	$ 1.36

Diluted

Net income per diluted share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period adjusted for the effects of potentially dilutive stock options, equity-settled RSUs, PSUs, the non-controlling interest in exchangeable shares liability and Additional Shares.

	13-week periods ended		39-week periods ended	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Net income attributable to shareholders of the Company	**$ 43,093**	$ 70,728	**$ 54,573**	$ 150,250
Weighted average number of shares for net income per diluted share (thousands)	**113,332**	115,154	**114,232**	115,252
Net income per diluted share	**$ 0.38**	$ 0.61	**$ 0.48**	$ 1.30

For the 13-week and 39-week periods ended November 26, 2023, 5,977,293 and 5,491,751 stock options and equity-settled RSUs, respectively, along with the Additional Shares were not included in the calculation of diluted net income (loss) per share as they were anti-dilutive or contingently issuable (13-week and 39-week periods ended November 27, 2022 – 709,717 and 1,881,209 stock options, respectively, and the non-controlling interest in exchangeable shares liability).

15 Net Revenue

Net revenue disaggregated for boutiques and eCommerce was as follows:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Retail net revenue	**$ 441,056**	$ 423,224	**$ 1,130,640**	$ 1,062,678
eCommerce net revenue	**212,468**	201,391	**519,740**	495,370
Net revenue	**$ 653,524**	$ 624,615	**$ 1,650,380**	$ 1,558,048

16 Expenses by nature

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Cost of goods sold				
Inventory and product-related costs and occupancy costs	**$ 345,519**	$ 322,785	**$ 906,563**	$ 800,314
Depreciation on right-of-use assets	**23,512**	20,544	**69,607**	56,005
Depreciation on property and equipment	**13,556**	10,623	**36,476**	29,897
Cost of goods sold	**$ 382,587**	$ 353,952	**$ 1,012,646**	$ 886,216

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Personnel expenses				
Salaries, wages and employee benefits	**$ 142,413**	$ 130,416	**$ 398,291**	$ 344,428
Stock-based compensation expense relating to employees (note 13)	**9,206**	11,558	**18,759**	21,212
Personnel expenses	**$ 151,619**	$ 141,974	**$ 417,050**	$ 365,640

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Finance expense				
Interest expense on lease liabilities (note 7)	**$ 10,999**	$ 7,207	**$ 31,311**	$ 18,528
Interest expense and banking fees	**2,549**	1,803	**5,172**	3,096
Amortization of deferred financing fees	**89**	46	**179**	138
Finance expense	**$ 13,637**	$ 9,056	**$ 36,662**	$ 21,762

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Other expense (income)				
Realized foreign exchange loss (gain)	**$ (3,993)**	$ (7,591)	**$ (1,712)**	$ (9,602)
Unrealized foreign exchange loss (gain)	**2,562**	1,805	**394**	284
Fair value adjustment of non-controlling interest in exchangeable shares liability (note 11)	**—**	—	**(15,000)**	—
Unrealized loss (gain) on equity derivative contracts (note 11)	**390**	(4,793)	**11,623**	(43)
Realized loss (gain) on equity derivative contracts (note 11)	**—**	(1,387)	**—**	(1,387)
CYC integration and acquisition costs	**102**	—	**1,853**	—
Secondary Offering costs (note 12)	**—**	518	**—**	518
Interest and other income	**(787)**	(546)	**(1,967)**	(1,738)
Other expense (income)	**$ (1,726)**	$ (11,994)	**$ (4,809)**	$ (11,968)

17 Income taxes

The 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 tax rates for the 13-week and 39-week periods ended November 26, 2023 were as follows:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Statutory income tax rate	**26.7%**	26.6%	**26.7%**	26.6%
Effective income tax rate	**30.7%**	28.1%	**29.6%**	28.3%

The effective tax rates are driven largely by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income (loss) and for the 39-week period ended November 26, 2023 the non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability.

18 Segment information

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the Chief Operating Decision Maker (the "CODM"). The Company has determined that the Chief Executive Officer together with the Founder, Executive Chair are its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's clients, including sales through the Company's eCommerce website and sales at the Company's boutiques.

The following table summarizes net revenue by geographic location of the Company's clients:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
United States	**$ 326,605**	$ 313,534	**$ 857,355**	$ 783,506
Canada	**326,919**	311,081	**793,025**	774,542
Net revenue	**$ 653,524**	$ 624,615	**$ 1,650,380**	$ 1,558,048

The Company's non-current, non-financial assets (property and equipment, intangible assets, goodwill, and right-of-use assets) are geographically located as follows:

	November 26, 2023	**February 26, 2023**
Canada	**$ 706,592**	$ 693,303
United States	**614,593**	514,594
Non-current, non-financial assets	**$ 1,321,185**	$ 1,207,897

19 Commitments and contingencies

Product purchase obligations

At November 26, 2023, the Company had purchase obligations of $90.4 million (February 26, 2023 - $158.0 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

Letters of credit

At November 26, 2023, the Company had open letters of credit of $23.5 million (February 26, 2023 - $31.6 million).

20 Related party transactions

The Company is ultimately controlled by AHI Holdings Inc. and related entities which are controlled by a director and officer of the Company.

The Company entered into the following transactions with related parties:

a) During the 13-week and 39-week periods ended November 26, 2023, the Company made payments of $1.6 million and $4.1 million, respectively (13-week and 39-week periods ended November 27, 2022 - $0.9 million and $3.4 million, respectively), for lease of premises and management services and $0.4 million and $0.6 million, respectively (13-week and 39-week periods ended November 27, 2022 - $0.7 million and $1.3 million, respectively) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at November 26, 2023, $0.4 million was included in accounts payable and accrued liabilities (February 26, 2023 - nominal). As at November 26, 2023, the outstanding balance of lease liabilities owed to these companies was $47.2 million (February 26, 2023 - $49.7 million). These transactions were measured at the amount of consideration established at market terms.

b) Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Salaries, directors' fees and short-term benefits	**$ 1,263**	$ 945	**$ 3,775**	$ 3,346
Stock-based compensation expense	**2,737**	4,038	**4,135**	6,272
Key management compensation	**$ 4,000**	$ 4,983	**$ 7,910**	$ 9,618

In addition to the compensation presented above, certain key management received a retroactive adjustment to compensation relating to Fiscal 2023, resulting in an additional expense of $0.8 million during the 39-week period ended November 26, 2023.

21 Supplemental cash flow information

The net change in non-cash working capital balances for the 13-week and 39-week periods ended November 26, 2023 and November 27, 2022 were as follows:

	13-week periods ended		39-week periods ended	
	November 26, 2023	**November 27, 2022**	**November 26, 2023**	**November 27, 2022**
Accounts receivable	**$ (4,173)**	$ (4,264)	**$ (4,772)**	$ (4,635)
Inventory	**104,117**	(50,379)	**70,398**	(295,626)
Prepaid expenses and other current assets	**(4,470)**	(4,305)	**(13,572)**	(8,490)
Other assets	**(534)**	(294)	**(1,772)**	(415)
Accounts payable and accrued liabilities	**11,747**	21,360	**8,156**	119,178
Deferred revenue	**24,773**	34,397	**23,588**	35,330
Net change in non-cash working capital balances	**$ 131,460**	$ (3,485)	**$ 82,026**	$ (154,658)

Accrued purchases of property and equipment	**$ 28,405**	$	15,609
Accrued purchases of intangible assets	**$ —**	$	322