ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended November 26, 2023

January 10, 2024

The following Management's Discussion and Analysis ("MD&A") dated January 10, 2024 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 39-week periods ended November 26, 2023. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for Q3 2024 and YTD 2024 (as hereinafter defined) and 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 expectations as to the Company's Fiscal 2024 financial outlook,
- our ability to achieve strong boutique sales productivity,
- our approach and expectations with respect to boutique growth, expansion and enhancements, including boutique payback period expectations and timing of openings,
- our eCommerce growth, including our plans to deliver our eCommerce 2.0 strategy, invest in our digital capabilities, execute our eCommerce roadmap, and the anticipated results therefrom,
- our expectations with respect to our omni-channel capabilities including the expected timing for the introduction of certain omni-channel services in the United States,
- 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 trend expectations with respect to selling, general and administrative expenses,
- our expectations with respect to our product assortment, 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 intention to apply to commence the 2024 NCIB (as defined herein,) the timing thereof, and the number of subordinate voting shares ("Shares") which may be purchased thereunder, and
- our environmental, social and governance initiatives.

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”, "continue", 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:

- anticipated growth across our retail and eCommerce channels,
- anticipated growth in the United States and 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, and optimized inventory levels,
- our ability to recruit and retain exceptional talent,
- our expectations regarding new boutique openings, expansion and repositioning of existing boutiques, and the timing thereof, 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 run rate savings from our smart spending initiative,
- 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 (including impacts from changes to interest rate environments); (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.sedarplus.ca.

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 "Q2 2024" are to our 13-week period ended August 27, 2023, to “Q3 2024” are to our 13-week period ended November 26, 2023, to “Q3 2023” are to our 13-week period ended November 27, 2022, to "Q4 2024" are to our 14-week period ending March 3, 2024, to "YTD 2024" are to our 39-week period ended November 26, 2023, and to "YTD 2023" are to our 39-week period ended November 27, 2022. 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 2025" are to our 52-week period ending March 2, 2025, to “Fiscal 2024” are to our 53-week period ending March 3, 2024, to “Fiscal 2023” are to our 52-week period ended February 26, 2023 and to "Fiscal 2022" are to our 52-week period ended February 27, 2022.

The unaudited condensed interim consolidated financial statements and accompanying notes for Q3 2024 and YTD 2024 and this MD&A were authorized for issue by the Audit Committee on behalf of 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 design house with an innovative global platform. We are creators and purveyors of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We’re about good design, quality materials and timeless style — all with the wellbeing of our People and Planet in mind.

Founded in 1984 in Vancouver, Canada, we pride ourselves on creating immersive, highly personalized shopping experiences at aritzia.com and in our 115+ boutiques throughout North America — for everyone, everywhere.

Our Approach

Aritzia means style, not trend, and quality over everything. We treat each in-house label as its own atelier, united by premium fabrics, meticulous construction and an of-the-moment point of view. We handpick fabrics from the world’s best mills for their feel, function and ability to last. We obsess over proportion, fit and that just-right silhouette. From hand-painted prints to the art of pocket placement, our innovative design studio considers and reconsiders each detail to create essentials you’ll reach for again, and again, and again.

Everyday Luxury. To Elevate Your World.™

RECENT EVENTS

Normal Course Issuer Bid ("NCIB")

The Company's prior NCIB commenced on January 20, 2023 and expires on January 19, 2024 (the "2023 NCIB"). Between January 20, 2023 and January 9, 2024, the Company repurchased a total of 1,089,641 Shares for

cancellation at an average price of $27.52 per Share for total cash consideration of $30.0 million under the 2023 NCIB.

The Company intends to file with the Toronto Stock Exchange ("TSX") a notice of intention to commence its 2024 normal course issuer bid for its Shares for a one-year period (the "2024 NCIB"). If accepted by the TSX, the Company would be permitted under the 2024 NCIB to purchase for cancellation, through the facilities of the TSX and/or alternative Canadian trading systems, up to 5% of the public float (calculated in accordance with TSX rules) of the Company's issued and outstanding Shares during the 12 months following such TSX acceptance. Subject to TSX acceptance, Aritzia currently anticipates the 2024 NCIB commencing on or about January 22, 2024, and in any event, at least two trading days after TSX acceptance of the 2024 NCIB. The exact amount of Shares subject to the 2024 NCIB will be determined on the date of acceptance of the notice of intention by the TSX.

Additional discussion of the Company's intentions with respect to the 2024 NCIB is contained in the Company's press release dated January 10, 2024, "Aritzia Reports Third Quarter Fiscal 2024 Financial Results" under the heading "Normal Course Issuer Bid".

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.

Q3 2024

- **Net revenue** increased 4.6% from Q3 2023 to $653.5 million, with comparable sales growth[1] of 0.5%
- **United States net revenue** increased 4.2% from Q3 2023 to $326.6 million, comprising 50.0% of net revenue in Q3 2024
- **Retail net revenue** increased 4.2% from Q3 2023 to $441.1 million
- **eCommerce net revenue** increased 5.5% from Q3 2023 to $212.5 million, comprising 32.5% of net revenue in Q3 2024
- **Gross profit margin**[1] decreased 180 bps to 41.5% from 43.3% in Q3 2023
- **Selling, general and administrative expenses** increased 14.4% from Q3 2023 to $187.4 million
- **Net income** decreased 39.1% from Q3 2023 to $43.1 million
- **Adjusted EBITDA**[1] decreased 23.3% from Q3 2023 to $91.8 million
- **Net income per diluted share** of $0.38 per share, compared to $0.61 per share in Q3 2023
- **Adjusted Net Income per Diluted Share**[1] of $0.47 per share, compared to $0.67 per share in Q3 2023

YTD 2024

- **Net revenue** increased 5.9% to $1.7 billion, compared to $1.6 billion in YTD 2023, with comparable sales growth (decline) of (0.2)%
- **United States net revenue** increased 9.4% from YTD 2023 to $857.4 million, comprising 51.9% of net revenue in YTD 2024
- **Retail net revenue** increased 6.4% from YTD 2023 to $1.1 billion
- **eCommerce net revenue** increased 4.9% from YTD 2023 to $519.7 million, comprising 31.5% of net revenue in YTD 2024
- **Gross profit margin**[1] decreased 450 bps to 38.6% from 43.1% in YTD 2023
- **Selling, general and administrative expenses** increased 18.7% from YTD 2023 to $511.9 million
- **Net income** decreased 63.7% from YTD 2023 to $54.6 million
- **Adjusted EBITDA**[1] decreased 46.8% from YTD 2023 to $144.5 million
- **Net income per diluted share** of $0.48 per share, compared to $1.30 per share in YTD 2023
- **Adjusted Net Income per Diluted Share**[1] of $0.59 per share, compared to $1.46 per share in YTD 2023

[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 (decline), 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.

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 January 10, 2024, "Aritzia Reports Third Quarter Fiscal 2024 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.sedarplus.ca under the Company's profile and on our website at investors.aritzia.com.

SELECTED FINANCIAL INFORMATION

The following table summarizes our recent results of operations for the periods indicated.

Selected Consolidated Financial Information				
(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Financial Summary:				
Net revenue	$ 653,524	$ 624,615	$ 1,650,380	$ 1,558,048
Cost of goods sold	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	9,449	11,558	16,428	21,212
Income from operations	74,115	95,368	109,358	219,450
Finance expense	13,637	9,056	36,662	21,762
Other expense (income)	(1,726)	(11,994)	(4,809)	(11,968)
Income before income taxes	62,204	98,306	77,505	209,656
Income tax expense	19,111	27,578	22,932	59,406
Net income	$ 43,093	$ 70,728	$ 54,573	$ 150,250
Net income per diluted share	$ 0.38	$ 0.61	$ 0.48	$ 1.30
Adjusted EBITDA[2]	$ 91,763	$ 119,618	$ 144,511	$ 271,827
Adjusted Net Income[2]	$ 52,701	$ 76,610	$ 67,334	$ 168,100
Adjusted Net Income per Diluted Share[2]	$ 0.47	$ 0.67	$ 0.59	$ 1.46
Weighted average number of diluted shares outstanding (thousands)	113,332	115,154	114,232	115,252
Cash and cash equivalents	$ 140,804	$ 131,898	$ 140,804	$ 131,898
Capital cash expenditures (net of proceeds from lease incentives)[2]	$ (41,368)	$ (26,362)	$ (113,575)	$ (73,547)
Free cash flow[2]	$ 171,607	$ 68,297	$ 76,631	$ (70,463)
Percentage of Net Revenue:				
Gross profit	41.5%	43.3%	38.6%	43.1%
Selling, general and administrative	28.7%	26.2%	31.0%	27.7%
Net income	6.6%	11.3%	3.3%	9.6%
Adjusted EBITDA[2]	14.0%	19.2%	8.8%	17.4%
Adjusted Net Income [2]	8.1%	12.3%	4.1%	10.8%
Other Metrics:				
Year-over-year net revenue growth	4.6%	37.8%	5.9%	48.3%
Comparable sales growth (decline)[2]	0.5%	22.8%	(0.2)%	26.3%

The following tables provide selected consolidated financial position information for the periods indicated.

Selected Consolidated Financial Position Information		
(in thousands of Canadian dollars, unless otherwise noted)	As at November 26, 2023	As at February 26, 2023
	(unaudited)	
Total assets	$1,950,102	$1,836,543
Total non-current liabilities	716,046	733,456

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

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

Reconciliation to Non-IFRS Financial Measures

(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 43,093	$ 70,728	$ 54,573	$ 150,250
Depreciation and amortization	16,847	13,434	46,352	38,238
Depreciation on right-of-use assets	25,524	21,204	75,358	57,883
Finance expense	13,637	9,056	36,662	21,762
Income tax expense	19,111	27,578	22,932	59,406
EBITDA	118,212	142,000	235,877	327,539
Adjustments to EBITDA:				
Stock-based compensation expense	9,449	11,558	16,428	21,212
Rent impact from IFRS 16, Leases[3]	(36,390)	(28,278)	(106,270)	(76,012)
Unrealized loss (gain) on equity derivative contracts	390	(4,793)	11,623	(43)
Realized gain on equity derivative contracts	—	(1,387)	—	(1,387)
Fair value adjustment of non-controlling interest ("NCI") in exchangeable shares liability	—	—	(15,000)	—
CYC Design Corporation ("CYC") integration and acquisition costs	102	—	1,853	—
Secondary offering transaction costs	—	518	—	518
Adjusted EBITDA	$ 91,763	$ 119,618	$ 144,511	$ 271,827
Adjusted EBITDA as a percentage of net revenue	14.0%	19.2%	8.8%	17.4%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 43,093	$ 70,728	$ 54,573	$ 150,250
Adjustments to net income:				
Stock-based compensation expense	9,449	11,558	16,428	21,212
Unrealized loss (gain) on equity derivative contracts	390	(4,793)	11,623	(43)
Realized gain on equity derivative contracts	—	(1,387)	—	(1,387)
Fair value adjustment of NCI in exchangeable shares liability	—	—	(15,000)	—
CYC integration and acquisition costs	102	—	1,853	—
Secondary offering transaction costs	—	518	—	518
Related tax effects	(333)	(14)	(2,143)	(2,450)
Adjusted Net Income	$ 52,701	$ 76,610	$ 67,334	$ 168,100
Adjusted Net Income as a percentage of net revenue	8.1%	12.3%	4.1%	10.8%
Weighted average number of diluted shares outstanding (thousands)	113,332	115,154	114,232	115,252
Adjusted Net Income per Diluted Share	$ 0.47	$ 0.67	$ 0.59	$ 1.46

[3] Rent Impact from IFRS 16, Leases

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Depreciation on right-of-use assets, excluding fair value adjustments	$ (25,391)	$ (21,071)	$ (74,959)	$ (57,484)
Interest expense on lease liabilities	(10,999)	(7,207)	(31,311)	(18,528)
Rent impact from IFRS 16, Leases	$ (36,390)	$ (28,278)	$ (106,270)	$ (76,012)

The following table reconciles comparable sales to net revenue for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Comparable sales	$ 573,537	$ 566,606	$ 1,455,304	$ 1,431,825
Non-comparable sales	79,987	58,009	195,076	126,223
Net revenue	$ 653,524	$ 624,615	$ 1,650,380	$ 1,558,048

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

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Cash used in investing activities	$ (45,344)	$ (32,401)	$ (135,728)	$ (89,973)
Contingent consideration payout, net relating to the acquisition of CYC	—	—	6,303	5,625
Proceeds from lease incentives	3,976	6,039	15,850	10,801
Capital cash expenditures (net of proceeds from lease incentives)	$ (41,368)	$ (26,362)	$ (113,575)	$ (73,547)

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

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net cash generated from (used in) operating activities	$ 241,079	$ 114,732	$ 259,135	$ 64,729
Interest paid on credit facilities	2,328	1,849	5,148	3,233
Proceeds from lease incentives	3,976	6,039	15,850	10,801
Repayments of principal on lease liabilities	(30,432)	(21,922)	(74,077)	(64,878)
Purchase of property, equipment and intangible assets	(45,344)	(32,401)	(129,425)	(84,348)
Free cash flow	$ 171,607	$ 68,297	$ 76,631	$ (70,463)

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 products 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 Reigning Champ men's wear for each season. We strive to 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 strategy centers on our ability to create enough new styles to maintain freshness in our assortment over time. 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 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 Reigning Champ boutiques).

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Number of boutiques, beginning of period	116	112	114	106
New boutiques	1	—	3	6
Pop-up boutique converted to permanent boutique	—	1	—	1
Number of boutiques, end of period	117	113	117	113
Boutiques expanded or repositioned	1	4	2	4

In addition, there were four Reigning Champ boutiques as at November 26, 2023 and November 27, 2022.

eCommerce Growth

We continue to invest in our digital capabilities to support our eCommerce business, and we plan to 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 the following 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 newly-opened 550,000 square foot facility in Vaughan, Ontario, and a 255,000 square foot third-party facility in Columbus, Ohio.

We operate our distribution centres located in New Westminster, British Columbia and Vaughan, Ontario, while the distribution centre located in Columbus, Ohio is operated by a third-party logistics provider. 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.

In Q2 2024, we began operating our new in-sourced distribution centre in Vaughan, Ontario, which replaced our previous 150,000 square foot facility operated by a third-party logistics provider in Mississauga, Ontario.

In Fiscal 2024, construction commenced on a new 380,000 square foot facility in Delta, British Columbia. This new facility, when completed, will be operated by us and is expected to be operational in Fiscal 2026. We plan to retain our current facility in New Westminster, British Columbia for storage and office space purposes, among other things.

In Fiscal 2024, we secured additional space for our Columbus, Ohio distribution centre, increasing from 255,000 square feet to a total of approximately 560,000 square feet. We plan to commence retrofitting work in this facility in Fiscal 2025 to optimize our operations.

Our current facilities are set up to flexibly manage multi-channel and omni-channel demands, as our business continues to grow, but these further expansions will also 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 work streams spanning a store order fulfillment solution, the physical optimization of our backroom spaces, foundational order sourcing technology, and enhancements to our digital client experience. In September 2023, we launched a pilot of additional omni-channel services in Canada including Buy Online, Pick-up In Store and Buy Online, Ship From Store. We intend to begin rolling out these services in the United States in Q4 2024.

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.

For a more detailed discussion on our ESG metrics and key performance indicators, refer to the FY2023 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.sedarplus.ca.

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 and 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 historically been a critical driver 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, and “comparable sales growth (decline)”, which are commonly used operating metrics in the retail industry but may be calculated differently by other retailers. Gross profit margin, comparable sales and comparable sales growth (decline) 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 and comparable sales growth (decline) are retail industry metrics used to explain our total combined revenue growth (decline) in eCommerce and established boutiques over the comparative reportable period. 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 (decline) 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 which resulted in boutiques being removed from our comparable store base, we believe total comparable sales growth (decline) was not representative of the underlying trends of our business and therefore we have not reported figures on this metric for Fiscal 2022 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 and/or items we consider non-recurring and not representative of our ongoing operating performance, such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, a deduction of interest expense and depreciation relating to our leases to reflect an estimate of rent expense, and fair value adjustments on NCI in exchangeable shares liability. 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 and/or other items we consider non-recurring and not representative of our ongoing operating performance, such as stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, fair value adjustments in NCI in exchangeable shares liability, 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 to be 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 Third Quarter Fiscal 2024

Consolidated Statements of Operations				
(unaudited, in thousands of Canadian dollars, unless otherwise noted)	Q3 2024		Q3 2023	
		% of net revenue		*% of net revenue*
Net revenue	$ 653,524	100.0%	$ 624,615	100.0%
Cost of goods sold	382,587	58.5%	353,952	56.7%
Gross profit	270,937	41.5%	270,663	43.3%
Selling, general and administrative	187,373	28.7%	163,737	26.2%
Stock-based compensation expense	9,449	1.4%	11,558	1.9%
Income from operations	74,115	11.3%	95,368	15.3%
Finance expense	13,637	2.1%	9,056	1.4%
Other expense (income)	(1,726)	(0.3)%	(11,994)	(1.9)%
Income before income taxes	62,204	9.5%	98,306	15.7%
Income tax expense	19,111	2.9%	27,578	4.4%
Net income	$ 43,093	6.6%	$ 70,728	11.3%
Net income per diluted share	$ 0.38		$ 0.61	
Adjusted EBITDA[1]	$ 91,763	14.0%	$ 119,618	19.2%
Adjusted Net Income[1]	$ 52,701	8.1%	$ 76,610	12.3%
Adjusted Net Income per Diluted Share[1]	$ 0.47		$ 0.67	

Net revenue increased by 4.6% to $653.5 million, compared to $624.6 million in Q3 2023. This is on top of strong net revenue growth over the last two years of 37.8% in Q3 2023 and 62.9% in Q3 2022, resulting in a three year compound annual growth rate ("CAGR") of 32.9%. Comparable sales growth[2] was 0.5%, compared to 22.8% in Q3 2023. Net revenues continued to be impacted by the level of new styles in our product assortment as well as a mixed consumer environment. In the United States, net revenue increased by 4.2% to $326.6 million, compared to $313.5 million in Q3 2023. Net revenue in Canada increased by 5.1% to $326.9 million, compared to $311.1 million in Q3 2023.

- **Retail net revenue** increased by 4.2% to $441.1 million, compared to $423.2 million in Q3 2023. The increase was driven by strong performance of the Company's new and repositioned boutiques, which continue to generate better-than-expected results. Boutique count[4] at the end of Q3 2024 totaled 117 compared to 113 boutiques at the end of Q3 2023.
- **eCommerce net revenue** increased by 5.5% to $212.5 million, compared to $201.4 million in Q3 2023, driven by growth in Canada as well as the Company's digital warehouse sale in Q3 2024.

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

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

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023
Retail net revenue	$ 441,056	$ 423,224
eCommerce net revenue	212,468	201,391
Net revenue	$ 653,524	$ 624,615

	Q3 2024	Q3 2023
United States net revenue	$ 326,605	$ 313,534
Canada net revenue	326,919	311,081
Net revenue	$ 653,524	$ 624,615

Gross profit increased by 0.1% to $270.9 million, compared to $270.7 million in Q3 2023. Gross profit margin[1] was 41.5%, compared to 43.3% in Q3 2023. The decrease in gross profit margin of approximately 180 bps was primarily driven by higher markdowns to help optimize the Company's inventory levels and pre-opening lease amortization costs for flagship boutiques. These impacts were partially offset by lower warehousing and freight costs.

SG&A expenses increased by 14.4% to $187.4 million, compared to $163.7 million in Q3 2023. SG&A expenses were 28.7% of net revenue, compared to 26.2% in Q3 2023. The increase in SG&A expenses was driven by investments in talent made through the end of Fiscal 2023, marketing initiatives and support office expansion to help support the Company's growth.

Depreciation and amortization increased by $7.7 million to $42.4 million, compared to $34.6 million in Q3 2023 primarily due to the increase in leased assets, new and expanded store openings, and recent opening of our Vaughan, Ontario distribution centre. The following table provides the depreciation and amortization expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023
Depreciation on right-of-use assets	$ 25,524	$ 21,204
Depreciation and amortization	16,847	13,434
Total depreciation and amortization	$ 42,371	$ 34,638

Stock-based compensation expense was $9.4 million, compared to $11.6 million in Q3 2023. The decrease in stock-based compensation expense was primarily due to the effect of share price changes on our cash-settled restricted and deferred share units offset by increased expense related to our equity-settled plans. The following table provides details of the stock-based compensation expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023
Equity-settled plans		
Stock options	$ 5,457	$ 4,087
Restricted Share Units	1,767	1,030
Performance Share Units	1,354	726
Cash-settled plans		
Restricted Share Units	628	3,912
Deferred Share Units	243	1,803
Stock-based compensation expense	$ 9,449	$ 11,558

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 $4.6 million to $13.6 million, compared to $9.1 million in Q3 2023. The increase in finance expense was primarily due to higher interest expense on lease liabilities and interest expense on the revolving credit facility in Q3 2024.

Other expense (income) was $(1.7) million, compared to $(12.0) million in Q3 2023. The following table provides details of other expense (income) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	**Q3 2024**	**Q3 2023**
Realized foreign exchange loss (gain)	$ (3,993)	$ (7,591)
Unrealized foreign exchange loss (gain)	2,562	1,805
Unrealized loss (gain) on equity derivative contracts	390	(4,793)
Realized loss (gain) on equity derivative contracts	—	(1,387)
CYC integration and acquisition costs	102	—
Secondary offering costs	—	518
Interest and other income	(787)	(546)
Other expense (income)	$ (1,726)	$ (11,994)

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Q3 2024 and Q3 2023 was 26.7% and 26.6%, respectively.

Income tax expense was $19.1 million, compared to $27.6 million in Q3 2023 and the effective tax rates for Q3 2024 and Q3 2023 were 30.7% and 28.1%, respectively. 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.

Net income was $43.1 million, a decrease of 39.1% compared to $70.7 million in Q3 2023. The decrease in net income was primarily attributable to the factors described above.

Net income per diluted share was $0.38 per share, a decrease of 37.7% compared to $0.61 per share in Q3 2023, primarily due to the factors discussed above.

Adjusted EBITDA[1] was $91.8 million, or 14.0% of net revenue[1], a decrease of 23.3% compared to $119.6 million, or 19.2% of net revenue in Q3 2023. The decrease in Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue was attributable to the factors described above.

Adjusted Net Income[1] was $52.7 million, a decrease of 31.2% compared to $76.6 million in Q3 2023, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share[1] was $0.47 per share, a decrease of 29.9% compared to $0.67 per share in Q3 2023, primarily due to the factors discussed above.

Cash and cash equivalents at the end of Q3 2024 totaled $140.8 million compared to $131.9 million at the end of Q3 2023, with strong operating cash flows funding the repayment of the $100 million drawn on the Company's revolving credit facility from the end of Q2 2024 and the Company's capital investments.

On October 27, 2023, the Company refinanced its revolving credit facility, increasing the limit from $175.0 million to $300.0 million and extending the term to October 27, 2026.

Inventory at the end of Q3 2024 was $397.0 million, a decrease of 21.9% compared to $508.4 million at the end of Q3 2023. The Company is pleased that the inventory balance continues to normalize and expects inventory levels to be optimized by the end of Fiscal 2024.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $41.4 million in Q3 2024, compared to $26.4 million in Q3 2023. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers and support office expansion.

Analysis of Results for YTD 2024

Consolidated Statements of Operations				
(unaudited, in thousands of Canadian dollars, unless otherwise noted)	**YTD 2024**		**YTD 2023**	
		% of net revenue		*% of net revenue*
Net revenue	$ 1,650,380	100.0%	$ 1,558,048	100.0%
Cost of goods sold	1,012,646	61.4%	886,216	56.9%
Gross profit	637,734	38.6%	671,832	43.1%
Selling, general and administrative	511,948	31.0%	431,170	27.7%
Stock-based compensation expense	16,428	1.0%	21,212	1.4%
Income from operations	109,358	6.6%	219,450	14.1%
Finance expense	36,662	2.2%	21,762	1.4%
Other expense (income)	(4,809)	(0.3)%	(11,968)	(0.8)%
Income before income taxes	77,505	4.7%	209,656	13.5%
Income tax expense	22,932	1.4%	59,406	3.8%
Net income	$ 54,573	3.3%	$ 150,250	9.6%
Net income per diluted share	$ 0.48		$ 1.30	
Adjusted EBITDA[1]	$ 144,511	8.8%	$ 271,827	17.4 %
Adjusted Net Income[1]	$ 67,334	4.1%	$ 168,100	10.8 %
Adjusted Net Income per Diluted Share[1]	$ 0.59		$ 1.46	

Net revenue increased by 5.9% to $1.7 billion, compared to $1.6 billion in YTD 2023 with comparable sales growth (decline)[2] of (0.2)%. Net revenues continued to be impacted by the level of new styles in our product assortment as well as a mixed consumer environment. Results continued to be driven by performance in the United States, where net revenue increased by 9.4% to $857.4 million compared to $783.5 million in YTD 2023. In Canada, net revenue increased by 2.4% to $793.0 million, compared to $774.5 million in YTD 2023.

– **Retail net revenue** increased by 6.4% to $1.13 billion, compared to $1.06 billion in YTD 2023. The increase in revenue was led by strong performance of our new boutiques in the United States, partially offset by softer comparable sales.

– **eCommerce net revenue** increased by 4.9% to $519.7 million, compared to $495.4 million in YTD 2023.

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

(unaudited, in thousands of Canadian dollars)	YTD 2024	YTD 2023
Retail net revenue	$ 1,130,640	$ 1,062,678
eCommerce net revenue	519,740	495,370
Net revenue	$ 1,650,380	$ 1,558,048

	YTD 2024	YTD 2023
United States net revenue	$ 857,355	$ 783,506
Canada net revenue	793,025	774,542
Net revenue	$ 1,650,380	$ 1,558,048

Gross profit decreased by 5.1% to $637.7 million, compared to $671.8 million in YTD 2023. Gross profit margin[1] was 38.6%, compared to 43.1% in YTD 2023. The 450 bps decrease in gross profit margin was primarily due to normalized markdowns, inflation in product costs, temporary warehousing costs related to inventory management, pre-opening lease amortization costs for boutiques and our new distribution centre, and foreign currency headwinds. These impacts were partially offset by lower expedited freight costs.

SG&A expenses increased by 18.7% to $511.9 million, compared to $431.2 million in YTD 2023. SG&A expenses were 31.0% of net revenue, compared to 27.7% in YTD 2023. The increase in SG&A expenses was primarily due to investments in retail wages and support office labour made through the end of Fiscal 2023, as well as support office expansion, distribution centre project costs and other initiatives to help support the Company's growth.

Depreciation and amortization increased by $25.6 million to $121.7 million, compared to $96.1 million in YTD 2023 primarily due to the increase in leased assets, new and expanded store openings, and recent opening of our Vaughan, Ontario distribution centre. The following table provides the depreciation and amortization expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	YTD 2024	YTD 2023
Depreciation on right-of-use assets	$ 75,358	$ 57,883
Depreciation and amortization	46,352	38,238
Total depreciation and amortization	$ 121,710	$ 96,121

Stock-based compensation expense was $16.4 million, compared to $21.2 million in YTD 2023. The decrease in stock-based compensation expense was primarily due to the effect of share price changes on our cash-settled restricted and deferred share units offset by increased expense related to our equity-settled plans. The following table provides details of the stock-based compensation expense for the periods indicated.

(unaudited, in thousands of Canadian dollars)	YTD 2024	YTD 2023
Equity-settled plans		
Stock options	$ 13,870	$ 10,333
Restricted Share Units	4,235	1,642
Performance Share Units	3,632	1,683
Cash-settled plans		
Restricted Share Units	(2,978)	6,136
Deferred Share Units	(2,331)	1,418
Stock-based compensation expense	$ 16,428	$ 21,212

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 $14.9 million to $36.7 million, compared to $21.8 million in YTD 2023. The increase in finance expense was primarily due to higher interest expense on lease liabilities and interest expense on the revolving credit facility in YTD 2024.

Other expense (income) was $(4.8) million, compared to $(12.0) million in YTD 2023. The following table provides details of other expense (income) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	YTD 2024	YTD 2023
Realized foreign exchange loss (gain)	$ (1,712)	$ (9,602)
Unrealized foreign exchange loss (gain)	394	284
Fair value adjustment of NCI in exchangeable shares liability	(15,000)	—
Unrealized loss (gain) on equity derivative contracts	11,623	(43)
Realized loss (gain) on equity derivative contracts	—	(1,387)
CYC integration and acquisition costs	1,853	—
Secondary offering costs	—	518
Interest and other income	(1,967)	(1,738)
Other expense (income)	$ (4,809)	$ (11,968)

As a result of the Company's early acquisition of the remaining 25% CYC ownership interest on May 26, 2023, 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).

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for YTD 2024 and YTD 2023 were 26.7% and 26.6%, respectively.

Income tax expense was $22.9 million, compared to $59.4 million in YTD 2023 and the effective tax rates for YTD 2024 and YTD 2023 were 29.6% and 28.3%, respectively. 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 and the non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability.

Net income was $54.6 million, a decrease of 63.7% compared to $150.3 million in YTD 2023. The decrease in net income was primarily attributable to the factors described above.

Net income per diluted share was $0.48, a decrease of 63.1%, compared to $1.30 in YTD 2023, primarily attributable to the factors discussed above.

Adjusted EBITDA[1] was $144.5 million, or 8.8% of net revenue[1], a decrease of 46.8%, compared to $271.8 million, or 17.4% of net revenue in YTD 2023. The decrease in Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue was attributable to the factors described above.

Adjusted Net Income[1] was $67.3 million, a decrease of 59.9%, compared to $168.1 million in YTD 2023, primarily due to the factors discussed above.

Adjusted Net Income per Diluted Share[1] was $0.59, a decrease of 59.6%, compared to $1.46 in YTD 2023, primarily due to the factors discussed above.

Capital cash expenditures (net of proceeds from lease incentives)[1] were $113.6 million, compared to $73.5 million in YTD 2023. The increase is primarily due to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers and support office expansion.

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

As at November 26, 2023, we have a $300.0 million revolving credit facility. 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%). No amounts were drawn on the revolving credit facility as at November 26, 2023. See the "Results of Operations" section of this MD&A.

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 1.17% and 2.75%.

See “Off-Balance Sheet Arrangements” for letters of credit issued.

Cash Flows

The following table presents cash flows for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net cash generated from (used in) operating activities	$ 241,079	$ 114,732	$ 259,135	$ 64,729
Net cash generated from (used) in financing activities	(130,971)	(14,830)	(68,901)	(107,242)
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)

Analysis of Cash Flows for the Third Quarter Fiscal 2024

Net Cash Generated From (Used In) Operating Activities

For Q3 2024, net cash generated from operating activities totaled $241.1 million, compared to $114.7 million in Q3 2023. This change was primarily attributable to a lower use of working capital due to lower inventory purchases, timing of receipts and payments and a decrease in income taxes paid, partially offset by a decrease in income from operations.

Net Cash Generated From (Used In) Financing Activities

For Q3 2024, net cash used in financing activities totaled $131.0 million, compared to $14.8 million in Q3 2023. Financing activities in Q3 2024 primarily relate to the repayment of the $100 million draw on the revolving credit facility, the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation, partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in Q3 2023 primarily relate to the repayment of principal on lease liabilities and the

repurchase of subordinate voting shares for cancellation, partially offset by proceeds received from options exercised and proceeds received from lease incentives.

Cash Used In Investing Activities

For Q3 2024, cash used in investing activities totaled $45.3 million, compared to $32.4 million in Q3 2023. Investing activities in Q3 2024 and Q3 2023 primarily relate to capital investments in new boutiques, expanded or repositioned boutiques, distribution centers including the newly opened distribution centre in Vaughan, Ontario discussed under "Summary of Factors Affecting Performance - Distribution Facilities", support office expansion and technology infrastructure.

Analysis of Cash Flows for YTD 2024

Cash Flows Generated From (Used In) Operating Activities

For YTD 2024, net cash generated from operating activities totaled $259.1 million, compared to $64.7 million used in operating activities in YTD 2023. This change was primarily attributable to a lower use of working capital due to lower inventory purchases, timing of receipts and payments and a decrease in income taxes paid, partially offset by a decrease in income from operations.

Cash Flows Generated From (Used In) Financing Activities

For YTD 2024, net cash used in financing activities totaled $68.9 million, compared to $107.2 million in YTD 2023. Financing activities in YTD 2024 primarily relate to the repayment of principal on lease liabilities and the repurchase of subordinate voting shares for cancellation partially offset by proceeds received from lease incentives and proceeds received from options exercised. Financing activities in YTD 2023 primarily relate to the repayment of principal on lease liabilities and the $61.1 million repurchase of subordinate voting shares for cancellation, partially offset by proceeds received from lease incentives and proceeds received from options exercised.

Cash Flows Used In Investing Activities

For YTD 2024, cash used in investing activities totaled $135.7 million, compared to $90.0 million in YTD 2023. Investing activities in YTD 2024 primarily relate to new boutiques, boutique expansions and repositions, support office expansion, technology infrastructure and distribution center projects as well as a $6.3 million contingent consideration payout to CYC's shareholders. Investing activities in YTD 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

(unaudited, in thousands of Canadian dollars)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 248,450	$ —	$ —	$ 248,450
Lease liabilities	158,163	448,839	418,712	1,025,714
Minimum lease commitments with future commencement dates	6,371	123,481	192,077	321,929
Total contractual obligations and commitments	$ 412,984	$ 572,320	$ 610,789	$ 1,596,093

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at November 26, 2023, we had purchase obligations of $90.4 million, which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at November 26, 2023, letters of credit totaling $23.5 million have been issued.

FINANCIAL INSTRUMENTS

Financial instruments related to the acquisition of CYC

In connection with the acquisition of CYC in June, 2021, we entered into two financial instruments that were 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 were recorded in net income. On May 26, 2023, the Company and the selling shareholders agreed to the Company's early acquisition of the remaining 25% interest in CYC held through CYC's exchangeable shares which resulted in the extinguishment of the existing non-controlling interest in exchangeable shares liability and a net derivative asset of $1.5 million. The details of, and significant assumptions made in determining the fair value of our financial instruments, including those related to the acquisition of CYC, are disclosed in note 12 of our interim unaudited consolidated financial statements for the 13-week period ended May 28, 2023, 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.

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 other expense (income). The following table provides details of realized and unrealized losses (gains) for the periods indicated.

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Unrealized loss (gain) for the change in fair value of equity derivative contracts	$ 390	$ (4,793)	$ 11,623	$ (43)
Realized loss (gain) arising from the settlement of equity derivative contracts	—	(1,387)	—	(1,387)

As at November 26, 2023, the equity derivative contracts had a negative fair value of $2.2 million (February 26, 2023 - $9.5 million positive fair value) which are recorded in accounts payable and accrued liabilities and prepaid expenses and other current assets, respectively, in the consolidated statements of financial position.

RELATED PARTY TRANSACTIONS

During Q3 2024 and YTD 2024, we made payments of $1.6 million and $4.1 million, respectively (Q3 2023 and YTD 2023 - $0.9 million and $3.4 million, respectively) for lease of premises and management services and $0.4 million and $0.6 million, respectively (Q3 2023 and YTD 2023 - $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.

TRANSACTIONS WITH KEY MANAGEMENT

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

(unaudited, in thousands of Canadian dollars)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Salaries, directors' fees and short-term benefits	$ 1,263	$ 945	$ 3,775	$ 3,346
Stock-based compensation	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 YTD 2024.

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.

Non-Controlling Interest in Exchangeable Shares Liability

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

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 or the business (as disclosed in note 3 of our

unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 26, 2023 and 13-week period ended May 28, 2023) :

- 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 (as disclosed in note 3 of our unaudited condensed interim consolidated financial statements for the 13-week and 39-week periods ended November 26, 2023 and 13-week period ended May 28, 2023):

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

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.sedarplus.ca.

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. As at November 26, 2023, we have no foreign currency forward contracts outstanding and during the 13-week and 39-week periods ended November 26, 2023 we did not utilize foreign currency forward contracts.

Interest Rate Risk

We have a revolving credit facility which provides available borrowings in an amount up to $300.0 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 November 26, 2023, no amounts were drawn 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 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 and the Chief Financial Officer, so that they can make appropriate and timely decisions regarding public disclosure.

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

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 Q3 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of January 9, 2024, an aggregate of 90,013,301 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 January 9, 2024, an aggregate of 10,678,050 options, 520,476 performance share units and 781,049 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.sedarplus.ca. 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 eight most recently completed quarters. This unaudited quarterly information, other than Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per Diluted Share, capital cash expenditures (net of proceeds from lease incentives), free cash flow and comparable sales growth (decline), 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 2024			Fiscal 2023				Fiscal 2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial Summary:								
Net revenue	$ 653,524	$ 534,191	$ 462,665	$ 637,582	$ 624,615	$ 525,523	$ 407,910	$ 444,322
Cost of goods sold	382,587	347,345	282,714	395,422	353,952	305,250	227,014	264,816
Gross profit	270,937	186,846	179,951	242,160	270,663	220,273	180,896	179,506
SG&A	187,373	171,116	153,459	171,299	163,737	147,154	120,279	120,221
Income from operations	74,115	13,679	21,564	67,704	95,368	64,138	59,944	53,560
Net income (loss)	43,093	(5,990)	17,470	37,338	70,728	46,261	33,261	34,225
Net income (loss) per share	$ 0.39	$ (0.05)	$ 0.16	$ 0.34	$ 0.64	$ 0.42	$ 0.30	$ 0.31
Net income (loss) per diluted share	$ 0.38	$ (0.05)	$ 0.15	$ 0.32	$ 0.61	$ 0.40	$ 0.29	$ 0.29
Adjusted EBITDA[6]	$ 91,763	$ 21,160	$ 31,588	$ 79,354	$ 119,618	$ 82,563	$ 69,646	$ 66,303
Adjusted Net Income[6]	$ 52,701	$ 3,415	$ 11,218	$ 46,671	$ 76,610	$ 50,619	$ 40,871	$ 39,475
Adjusted Net Income[6] per Diluted Share	$ 0.47	$ 0.03	$ 0.10	$ 0.40	$ 0.67	$ 0.44	$ 0.35	$ 0.34
Weighted average number of diluted shares outstanding (in thousands)	113,332	114,295	114,793	115,249	115,154	114,457	116,080	116,774
Cash and cash equivalents	$ 140,804	$ 76,516	$ 58,793	$ 86,510	$ 131,898	$ 65,424	$ 179,358	$ 265,245
Capital cash expenditures (net of proceeds from lease incentives)[6]	$ (41,368)	$ (45,703)	$ (26,504)	$ (38,503)	$ (26,362)	$ (22,830)	$ (24,355)	$ (16,434)
Free cash flow[6]	$ 171,607	$ (75,047)	$ (19,929)	$ (49,193)	$ 68,297	$ (84,514)	$ (54,246)	$ (37,047)
Percentage of Net Revenue:								
Gross profit	41.5%	35.0%	38.9%	38.0%	43.3%	41.9%	44.3%	40.4%
SG&A	28.7%	32.0%	33.2%	26.9%	26.2%	28.0%	29.5%	27.1%
Net income (loss)	6.6%	(1.1)%	3.8%	5.9%	11.3%	8.8%	8.2%	7.7%
Adjusted EBITDA[6]	14.0%	4.0%	6.8%	12.4%	19.2%	15.7%	17.1%	14.9%
Adjusted Net Income[6]	8.1%	0.6%	2.4%	7.3%	12.3%	9.6%	10.0%	8.9%
Other Metrics:								
Net revenue growth	4.6%	1.6%	13.4%	43.5%	37.8%	50.1%	65.2%	66.1%
Comparable sales growth (decline)[6]	0.5%	(4.3)%	4.1%	32.2%	22.8%	28.3%	29.4%	n/a
Boutiques:[4]								
Number of boutiques, beginning of period	116	115	114	113	112	109	106	105
New boutiques added	1	1	1	2	—	3	3	2
Repositioned to a flagship boutique	—	—	—	(1)	—	—	—	—
Pop-up boutique converted to a permanent boutique	—	—	—	—	1	—	—	—
Boutique closure	—	—	—	—	—	—	—	(1)
Number of boutiques, end of period	117	116	115	114	113	112	109	106
Boutiques expanded or repositioned	1	1	—	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, our Q2 2024 MD&A dated September 28, 2023 for the 13-week period ended August 27, 2023, our Q1 2024 MD&A dated July 11, 2023 for the 13-week period ended May 28, 2023, our Fiscal 2023 MD&A dated May 2, 2023 for the year ended February 26, 2023, 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 and our Fiscal 2022 MD&A dated May 5, 2022 for the year ended February 27, 2022, 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 (decline) which is a supplementary financial measure. See also “Non-IFRS Measures and Retail Industry Metrics”.