ARITZIA

Annual Report 2022

Aritzia is a vertically-integrated, innovative design house and boutique.

We believe in high-quality, beautifully designed product.
We believe in aspirational environments and experiences.
We believe in personalized and engaging client service.
And we believe that all of this should be attainable.

We call this Everyday Luxury.

From our Founder, Chief Executive Officer & Chairman

Fiscal 2022 Highlights

Fiscal 2022 marked another outstanding year for Aritzia as our business continued to accelerate beyond our expectations - across all geographies and all channels. This year, arguably our strongest performing year in our 38-year history, we saw net revenue grow to almost $1.5 billion, an increase of 74% from fiscal 2021 and 52% from fiscal 2020. Our team did a phenomenal job as they embraced the challenge of keeping up with our extraordinary demand, while meticulously navigating the ongoing headwinds of the global landscape, to deliver exceptional results for our business and bring our much-loved Everyday Luxury experience of engaging service, beautiful product, aspirational environments and captivating communications to our new and loyal clients.

SALES CHANNEL GROWTH

Driving this exceptional performance was the continued investment in our sales channels. In eCommerce, we further enhanced our digital and omni-channel capabilities to maintain our strong momentum. eCommerce net revenue grew to $564 million, an increase of 33% from last year and 150% from two years ago. In Retail, we reopened and expanded our boutique portfolio. Despite dealing with store closures, capacity restrictions, and labour shortages, our Retail business surged. Retail net revenue grew to $930 million, an increase of 116% from last year and 23% from two years ago. Of particular note, our comparable boutiques flourished as they surpassed pre-pandemic productivity levels in both Canada and the United States by double-digits, achieving comparable sales growth[1] of 59% from last year and 15% from two years ago.

GEOGRAPHY EXPANSION

Our increased investment into the United States continues to pay off, as we opened 6 new boutiques in key markets, such as Los Angeles and Nashville, to a tremendous client response. As a result, our United States business accelerated at an unprecedented pace as net revenue grew to $676 million in Canadian dollars, an increase of 132% from last year and 100% from two years ago, and accounted for 45% of net revenue in fiscal 2022.

PRODUCT EXPANSION

This year, we meaningfully extended our beautiful product assortment across breadth, with new styles, and depth, with new colours, sizes, and lengths. We also laid the foundation for exciting new products and categories, as we completed our acquisition and foray into menswear with Reigning Champ and our first-ever Swim collection, which launched at the beginning of fiscal 2023.

BRAND AWARENESS AND CUSTOMER EXPANSION

Brand awareness and customer expansion continues to be a priority as we further accelerated our awareness and brought Everyday Luxury to significantly more clients than ever before. We continued to make significant progress on our path to getting famous in the United States, as we more than doubled our active client base.

[1] Please see the sections entitled "How We Assess the Performance of Our Business" and "Non-IFRS Measures including Retail Industry Metrics" of our MD&A dated May 5, 2022 (as included in this Annual Report and available on SEDAR at www.sedar.com) for further details concerning comparable sales growth.

Aritzia Community™ | Social and Environmental Responsibility

It is more important than ever, and our responsibility as an industry leader and global corporate citizen, that we continue to prioritize our commitments to our people and planet. In fiscal 2022, we remained focused on further strengthening our environmental and social contributions to accelerate the positive impact Aritzia is making across our operations and wider value chain, to ensure we deliver Everyday Luxury, today and tomorrow.

As the pandemic continued to evolve throughout the year, we remained unwavering in our commitment to ensuring the health and safety of our people, clients, and communities. We operated with best-in-class testing frequency and diligent contract tracing, in close partnership with government health authorities to navigate the uncertainty of the pandemic responsibly. Additionally, we provided financial continuity for our people through the pandemic as we paid $7 million in Fiscal 2022 through the Aritzia Community™ Relief Fund, on top of the $25 million from fiscal 2021.

We continued to uplift and empower our people, clients, and communities by prioritizing diversity, equity and inclusion (DE&I) as well. We were steadfast in our commitment to listening, learning, and taking action in fiscal 2022. This year, we further embedded DE&I into our organization as we partnered with an external consultant for strategic support and to serve as our fractional Chief Diversity Officer. For our people, we launched a series of events during key affinity months, introduced training sessions, and welcomed guest speakers with subject matter expertise to build allyship from within. That being said, it was just as important to us to take action with communities as well. To do this, we grew Aritzia Community™ and expanded our partnerships with incredible organizations throughout the year. In fiscal 2022, we donated 100% of the proceeds from two limited-edition product capsule collections, 4,000 warm winter coats valued at over $1 million, and $250,000 to celebrate Giving Tuesday – a global day of giving, while continuing to deliver on our seasonal product donation program. To date, Aritzia Community™ has contributed more than $40 million in product donations, financial support and volunteer hours to non-profits and partners, positively impacting the lives of more than 445,000 people, and we are just getting started.

In fiscal 2022, we made significant progress on our sustainability goals across our business. As we have expanded our product assortment, we have also adopted more sustainable manufacturing practices. Focusing not only on what we make, but also how we make it. In fiscal 2022, we grew our use of sustainable fabrics from 40% in our 2021 collections to 60% in our 2022 Spring/Summer collection. It is not just our product but the packaging it comes in that is more sustainable. In fiscal 2022, we shifted all of our Retail and eCommerce paper-based packaging to contain recycled or sustainably certified materials. Additionally, we evaluated 98% of our finished goods suppliers against Aritzia's environmental criteria using the Higg Facility Environmental Module to ensure alignment with business requirements and through our social impact monitoring program, conducted third-party assessments at 100% of our finished goods suppliers against Aritzia's Supplier Code of Conduct. Our commitment to the planet extends into all facets of our business. For the second consecutive year, Aritzia achieved carbon neutrality across all our stores, offices, and distribution centers. We disclosed through CDP Climate Change for the second year as well, and received recognition on the CDP Supplier Engagement Leadership board. We also joined the United Nations Global Compact, signaling our commitment to the values of responsible business.

Looking Forward

As we set our sights on the future, our business has never been stronger or better positioned to capitalize on the extraordinary growth opportunities being presented to us. The foundation our team has built, since we opened our first boutique in 1984, continues to empower our ability to deliver our much-loved Everyday Luxury experience for new and loyal clients.

In my 38 years with Aritzia, I have not only gained valuable perspective of our business, but more so, an incredible appreciation for our people and the contributions each of them have made to our tremendous success. No one more so than Jennifer Wong. Which is why we could not be more excited for her to lead us into the future as our next CEO.

Jennifer and I began our partnership 35 years ago. She knows our business inside and out. Over those 35 years, Jennifer has run almost all departments within the organization. She has been instrumental to our accelerated growth, and has delivered many of the milestones that we have shared in these annual reports. Jennifer's unparalleled leadership style and dedication to excellence exemplifies our values, which she was integral in developing, and she deeply resonates with and inspires our people. I believe there is no better time and no one better to lead Aritzia. With her long-term, lasting approach to strategic growth, I believe she is perfect for leading us into the future.

Under Jennifer's leadership, we will announce our multi-year growth plan later this year, and continue to fuel our accelerated growth by driving digital innovation in our eCommerce channel and Omni capabilities, growing our boutique portfolio, expanding our product assortment across depth, breadth and new categories, and acquiring new clients, all while continuing to strategically invest in the infrastructure required to scale for years to come.

I would like to thank our investors, our almost 7,000 extraordinary team members, and our clients for their enduring loyalty to Aritzia. I have been privileged to lead this team and could not be more excited to continue working on Aritzia's long-term growth, as Executive Chair, maintaining full-time functional area leadership of Product, Marketing, Real Estate Development, and Business Development, while supporting Jennifer as she leads our people and business into the future, where our outlook has never been brighter.

Sincerely,

Brian Hill
Chief Executive Officer

Brands and Products

Aritzia is an innovative design house and boutique. We conceive, create, develop and retail fashion brands with a depth of design and quality that provides compelling value. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an effortless appeal, a focus on fit and an of-the-moment point of view. Our expansive range of fashion apparel and multi-brand strategy enables us to appeal to our clients across multiple aspects of their lifestyles and life stages, producing strong and enduring client loyalty. Exclusive brands currently represent 95% of Aritzia's net revenue.

BABATON

TEN BY BABATON

The Group BABATON

wilfred

wilfred free

SUPER WORLD™

Tna®

TnAction™

Sunday Best

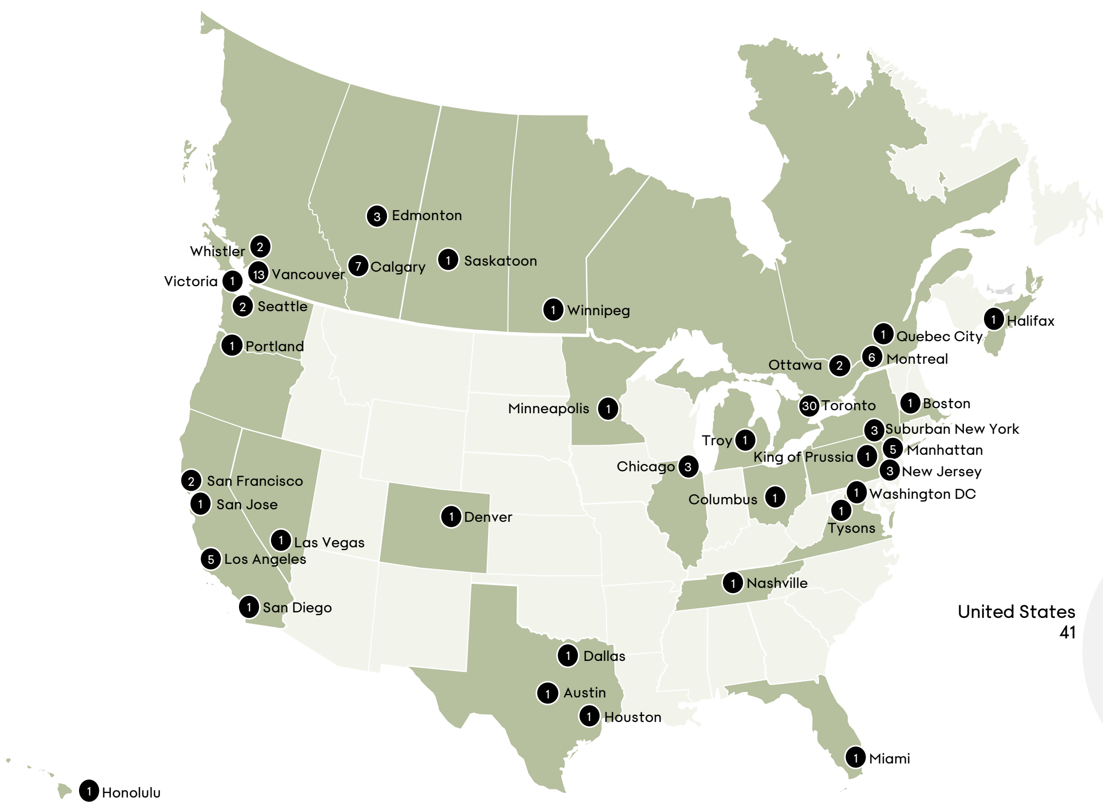
DENIM FORUM

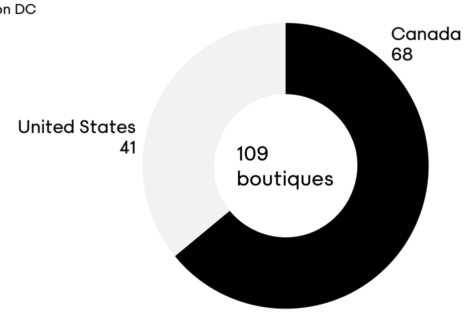
Destinations

We connect our clients to the energy of our culture through the products we sell and the environments we create. We sell our products through our boutiques and aritzia.com, giving us complete control of the presentation of our brand and the relationships with our clients.

We carefully consider each Aritzia destination – physical and digital – individually, taking care to provide our clients with aspirational shopping experiences and exceptional service at every interaction.

We believe there are synergies between our boutiques and aritzia.com, with the success of each channel benefiting the other through increased brand awareness and affinity. We continue to build out omni-channel capabilities to seamlessly provide an Everyday Luxury experience for our clients to shop wherever, whenever and however.





Future Growth

We have a thoughtful approach to growth that is focused on profitability over the long-term. Supported by accelerating trends, we continue to make strategic investments across our people, processes and technology to capitalize on the unprecedented opportunities.

1. eCommerce and Omni Innovation

Our eCommerce business was launched in fiscal 2013, quickly surpassing our growth expectations. Annual increases in online traffic drove eCommerce revenue growth of more than 36% on a compounded annual basis from fiscal 2016 to 2020. Our eCommerce business grew 33% in fiscal 2022 on top of the 88% growth in fiscal 2021. eCommerce revenue was 38% of total net revenue in fiscal 2022, compared to 23% in fiscal 2020, pre-pandemic. Going forward, we will continue to invest in digital capabilities to provide a seamless Everyday Luxury experience for our clients to drive accelerated eCommerce and omni-channel growth.

2. Geographic Expansion

Operating as our most effective yet profitable marketing tool, boutique openings are a key pillar of Aritzia's growth strategy. Our boutiques drive sales, build brand awareness, propel significant client acquisition, and fuel our eCommerce channel. Payback on our new boutiques continue to accelerate, trending between 12 to 24 months.

We are seeing unprecedented opportunities for us to acquire prime real estate. We believe that we have a meaningful opportunity to expand our boutique network, particularly in the United States, where we have identified a minimum of 100 locations that meet our exacting criteria. We will continue to take a disciplined approach to boutique openings, with a fastidious focus on location selectivity.

3. Product Expansion

Product innovation is a core competency for us and has been critical to our success. We always look beyond what 'is' to what 'could be' by continuously monitoring the evolving fashion landscape, our brand portfolio, our product mix and our client base to identify opportunities for innovation and growth. With the accelerated shift to digital and as our eCommerce channel reaches critical mass, our product strategy can now be based on the unlimited opportunities that online provides. We see meaningful potential to double our product offering by fiscal 2025 through:

— Depth (sizes, lengths, colours)
— Breadth (new style development)
— New categories (including swim, intimates and men's)

We believe our innovation strategy drives traffic to our boutiques and aritzia.com and increases brand loyalty by guiding our mix of brands and products to meet our clients' needs. It also allows us to reinforce the appeal of our brands across a broader range of fashion needs, increasing our addressable market and 'share of our client's closet'.

4. Brand Awareness and Customer Expansion

Increased brand awareness is driven through real estate and marketing strategies designed to attract new clients and deepen loyalty of existing clients. These strategies are propelling our brand with our active client base more than doubling in the United States during fiscal 2022. Our premier real estate locations, aspirational boutique designs and high-touch service highlight the unique ethos and aesthetic of our exclusive brands and Aritzia's overall dedication to delivering Everyday Luxury. We extend this experience online, through digital marketing, reaching beyond our retail footprint to acquire customers in relevant segments and keep them engaged with digitally native content experiences.

ENVIRONMENT, SOCIAL & GOVERNANCE

Our Philosophy

Aritzia recognizes that social and environmental factors are integral to our long-term success. We're committed to supporting all the people our organization touches, while protecting the planet that communities and our business rely on. In order to deliver Everyday Luxury, today and tomorrow, our goal is to continue strengthening our positive impact socially and environmentally across our operations and wider value chain.

Our Priorities

Aritzia's social and environmental priorities span across our value chain. From raw material sourcing, third party manufacturing suppliers, product use and end-of-life, as well as across our boutiques and offices to our Distribution Centres. These 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. As part of our social and environmental strategy, we have identified the following priorities:

1. Attract, develop and retain a high performing team of world-class talent
2. Deliver positive social impact through our products and supply chain
3. Drive sustainable practices and solutions across the product lifecycle
4. Build sustainable and efficient infrastructure across our boutiques, cafes, offices, DCs and logistics

Key Achievements in Fiscal 2022

ENVIRONMENT

— Adopted more sustainable fabrics across 40% of our 2021 collections and 60% of our Spring/Summer 2022 collections, including organic and recycled cotton, recycled polyester and nylon, amongst others;

— Evaluated 98% of our finished goods suppliers against Aritzia's environmental criteria through the Higg Facility Environmental Module to ensure alignment with business requirements;

— For the second consecutive year, Aritzia has achieved carbon neutrality across our operations (boutiques, offices and distribution centres), which account for 100% of Aritzia's Scope 1 and 2 emissions – this is achieved by reducing energy use, sourcing renewable energy credits in the equivalent of our electricity consumption, and offsetting remaining emissions;

— Completed our second CDP Climate Change submission and received recognition on the CDP Supplier Engagement Leadership board; and

— Added Sustainable Product filters on aritzia.com for our clients.

SOCIAL

— Conducted third party assessments at 100% of finished goods suppliers against Aritzia's Supplier Code of Conduct through our social impact monitoring program;

— Ensured financial continuity for our people through the COVID-19 pandemic, by paying $25 million in fiscal 2021 and $7 million in fiscal 2022 through the Aritzia Community™ Relief Fund;

— Continued our investment in DE&I and secured an external consultant to support strategic DE&I implementation into our organization and serve as our fractional Chief Diversity Officer, and continued to emphasize internal engagement of our employees with a series of affinity month activations, training sessions and guest speakers with subject matter expertise in DE&I;

— Donated 4,000 warm winter coats valued at over $1 million to our Aritzia Community™ partner organizations across the U.S. and Canada; and

— Celebrated Giving Tuesday – a global day of giving – with a commitment to donate $10 of every purchase on that day to Aritzia Community™ partner organizations; we reached our $250,000 donation goal.

GOVERNANCE

— Published Aritzia's ESG Executive Summary, outlining our priorities on investors.aritzia.com;

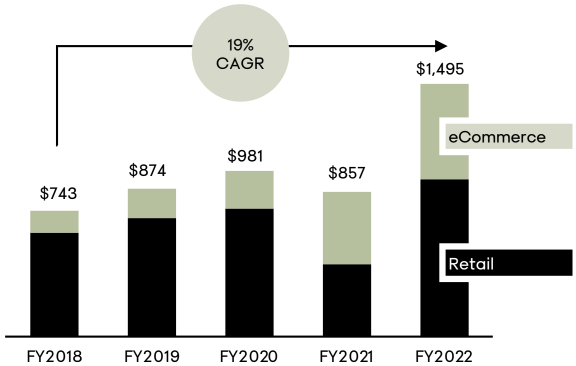
— Formally approved and formed an Environmental and Social Board Committee to guide and have oversight of key social and environmental considerations; and

— Signed on as a participant to the United Nations Global Compact.

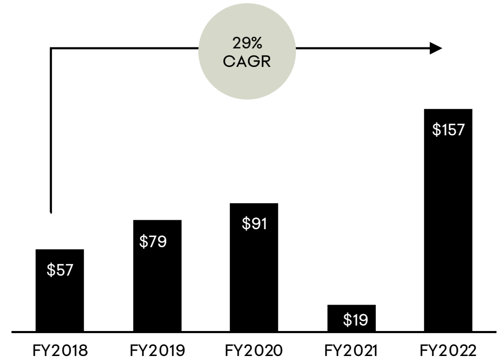
For further details, please visit: https://www.aritzia.com/en/aritzia/corporateresponsibility/sustainability.html

Proven Results

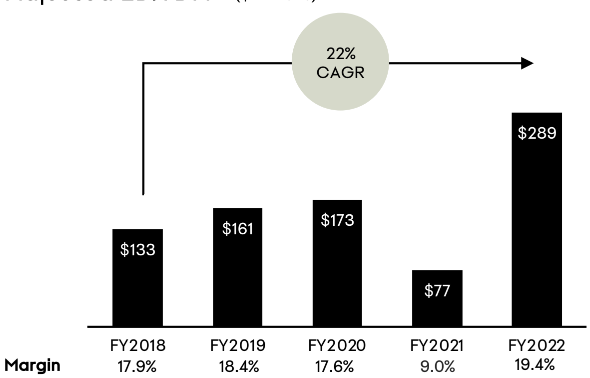
Net Revenue ($ millions)



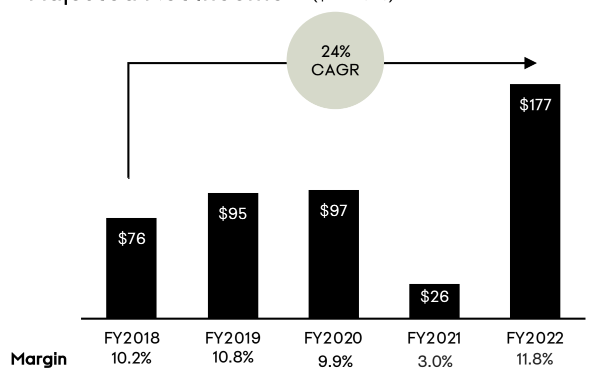
Net Income ($ millions)



Adjusted EBITDA[(1)] ($ millions)



Adjusted Net Income[(1)] ($ millions)



[(1)] Adjusted EBITDA and Adjusted Net Income are non-IFRS measures, see "Non-IFRS Measures including Retail Industry Metrics" in our Annual Information Form dated May 5, 2022 for an explanation of the composition of these non-IFRS measures, how these non-IFRS measures provide useful information to an investor, and the purposes for which management uses these non-IFRS measures. A quantitative reconciliation of Adjusted EBITDA and Adjusted Net Income to Net Income can be found on page 8 of our annual Management's Discussion & Analysis ("MD&A") for Fiscal 2022 dated May 5, 2022, which has been included in this Annual Report, page 7 of our annual MD&A for Fiscal 2021 dated May 11, 2021, page 15 of our annual MD&A for Fiscal 2020 dated May 28, 2020, page 12 of our annual MD&A for Fiscal 2019 dated May 9, 2019, and page 13 of our annual MD&A for Fiscal 2018 dated May 10, 2018, filed on SEDAR at www.sedar.com, which reconciliations are incorporated herein by reference.

Operational and Financial Summary

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks	Fiscal 2019 53 Weeks	Fiscal 2018 52 Weeks
Financial Summary:					
Net revenue	$ 1,494,630	$ 857,323	$ 980,589	$ 874,296	$ 743,267
Cost of goods sold	839,678	544,818	577,165	531,383	447,776
Gross profit	654,952	312,505	403,424	342,913	295,491
Operating expenses					
Selling, general and administrative	392,802	250,726	243,362	215,297	183,857
Stock-based compensation expense	26,131	10,691	7,790	11,540	17,240
Income from operations	236,019	51,088	152,272	116,076	94,394
Finance expense	25,202	28,420	28,319	4,821	5,221
Other expense (income)	(8,783)	(3,534)	(2,185)	(395)	1,890
Income before income taxes	219,600	26,202	126,138	111,650	87,283
Income tax expense	62,683	6,975	35,544	32,922	30,190
Net income	$ 156,917	$ 19,227	$ 90,594	$ 78,728	$ 57,093
Net income per diluted share	$ 1.36	$ 0.17	$ 0.81	$ 0.67	$ 0.49
Adjusted EBITDA(1)	$ 289,385	$ 76,812	$ 172,572	$ 161,045	$ 132,716
Adjusted Net Income(1)	$ 176,736	$ 26,028	$ 97,388	$ 94,543	$ 75,934
Adjusted Net Income(1) per Diluted Share	$ 1.53	$ 0.23	$ 0.87	$ 0.81	$ 0.65
Weighted average number of diluted shares outstanding (thousands)	115,784	112,844	112,128	117,358	116,280
Cash and cash equivalents	$ 265,245	$ 149,147	$ 117,750	$ 100,897	$ 112,475
Capital cash expenditures (net of proceeds from lease incentives)(1)	$ (52,607)	$ (42,529)	$ (36,253)	$ (49,862)	$ (59,253)
Free cash flow(1)	$ 221,937	$ 36,306	$ 117,246	$ 38,874	$ 44,342
Percentage of Net Revenue:					
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	56.2%	63.5%	58.9%	60.8%	60.2%
Gross profit	43.8%	36.5%	41.1%	39.2%	39.8%
Operating expenses					
Selling, general and administrative	26.3%	29.2%	24.8%	24.6%	24.7%
Stock-based compensation expense	1.7%	1.2%	0.8%	1.3%	2.3%
Income from operations	15.8%	6.0%	15.5%	13.3%	12.7%
Finance expense	1.7%	3.3%	2.9%	0.6%	0.7%
Other expense (income)	(0.6%)	(0.4%)	(0.2%)	(0.0%)	0.3%
Income before income taxes	14.7%	3.1%	12.9%	12.8%	11.7%
Income tax expense	4.2%	0.8%	3.6%	3.8%	4.1%
Net income	10.5%	2.2%	9.2%	9.0%	7.7%
Adjusted EBITDA(1)	19.4%	9.0%	17.6%	18.4%	17.9%
Adjusted Net Income(1)	11.8%	3.0%	9.9%	10.8%	10.2%
Other Performance Metrics:					
Year-over-year net revenue growth (decline)	74.3%	(12.6%)	12.2%	17.6%	11.4%
Comparable sales growth(1)	n/a	n/a	7.6%	9.8%	6.6%
Boutiques:					
Number of boutiques, end of period	106	101	96	91	85
New boutiques	6	7	5	7	6
Boutiques repositioned into a flagship boutique	-	(1)	-	(1)	-
Boutique closure	(1)	-	-	-	-
Boutique closed due to mall redevelopment	-	(1)	-	-	-
Boutiques expanded or repositioned	6	3	3	4	7

(1) These measures are non-IFRS financial measures. Please see the sections entitled "How We Assess the Performance of Our Business", "Selected Consolidated Financial Information" and "Non-IFRS Measures including Retail Industry Metrics" of our annual MD&A dated May 5, 2022 (as included in this Annual Report), our annual MD&A for fiscal 2021 dated May 11, 2021, our annual MD&A for fiscal 2020 dated May 28, 2020, our annual MD&A for fiscal 2019 dated May 9, 2019, and our annual MD&A for fiscal 2018 dated May 10, 2018, and all available on SEDAR at www.sedar.com, for further details concerning Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per Diluted Share, capital cash expenditures (net of proceeds from lease incentives), and free cash flow, including definitions and reconciliations to the relevant reported IFRS measure.

Management's Discussion & Analysis

ARITZIA

Aritzia Inc.

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

May 5, 2022

The following Management's Discussion and Analysis ("MD&A") dated May 5, 2022 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the thirteen-week and fifty-two week periods ended February 27, 2022. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes Fiscal 2022 (as hereinafter defined).

FORWARD-LOOKING INFORMATION

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry, in light of its experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. These statements may relate to our future financial outlook, our leadership transition and its impact on our business, people and growth, our plans relating to our distribution facilities and digital infrastructure, and anticipated events or results and include, our ability to sustain momentum in our business and advance our strategic growth drivers, continued focus on driving digital innovation and eCommerce and Omni capabilities, accelerating boutique growth and expanding our product assortment, acquiring new clients and investing in our infrastructure and growing team, the Company's response to mitigate anticipated supply chain disruptions, geopolitical risks, inflationary pressures and labour shortages, repurchases under our normal course issuer bid, our outlook for: (i) net revenue in the first quarter of Fiscal 2023, (ii) net revenue in Fiscal 2023, (iii) gross profit margin in Fiscal 2023, (iv) SG&A as a percent of net revenue in Fiscal 2023, (v) net capital expenditure in Fiscal 2023 and (vi) new boutiques and expansion or repositioning of existing boutiques in Fiscal 2023 . Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent our expectations, estimates and projections regarding future events or circumstances.

Implicit in forward-looking statements in respect of the Company's expectations for: (i) net revenue of approximately $375 million for the first quarter of fiscal 2023, representing just over a 50% increase compared to last year, (ii) net revenue of approximately $1.8 billion in Fiscal 2023, representing an increase of approximately 20% from Fiscal 2022, (iii) gross profit margin to decrease by approximately 100 bps compared to last year, (iv) SG&A as a percent of net revenue to increase approximately 50 bps to 100 bps compared to last year and (v) net capital expenditures in the range of $110 million to $120 million, are certain current assumptions including the continued acceleration of sales in the United States both in retail and eCommerce channels as well as continued momentum of the Company's eCommerce business in Canada. The Company's forward-looking information is also based upon assumptions regarding the overall retail environment, the COVID-19 pandemic and related health and safety protocols and currency exchange rates for Fiscal 2023. Specifically, we have assumed the following exchange rates for Fiscal 2023: USD:CAD = 1:1.26.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the limitations or restrictions that may be placed on servicing our clients in reopened boutiques or potential re-closing of boutiques or the duration of any such limitations or restrictions; (b) the COVID-19-related impacts on our business, operations, labour force, supply chain performance and growth strategies, (c) our ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) general economic conditions related to COVID-19 and impacts to consumer discretionary spending and shopping habits; (e) credit, market, currency, commodity market, inflation, interest rates, global supply chains, operational, and liquidity risks generally; (f) geopolitical events; and (g) other risks inherent to our business and/or factors beyond our control which could have a material adverse effect on the Company.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and in the Company's annual information form dated May 5, 2022 for Fiscal 2022 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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

BASIS OF PRESENTATION

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

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

The audited annual consolidated financial statements and accompanying notes for Fiscal 2022 and this MD&A were authorized for issue by the Company's Board of Directors.

OVERVIEW

Aritzia is a vertically integrated design house with an innovative global platform, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style that endures and inspires — all with the wellbeing of our People and Planet in mind. We call this Everyday Luxury.

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

Everyday Luxury. To Elevate Your World.™

RECENT EVENTS

Completion of Secondary Offering

On May 13, 2021, the Company announced a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and or controlled directly or indirectly by Brian Hill, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate voting share and was completed on June 1, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the 13-week period ended May 30, 2021, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Following the Offering, Brian Hill remains the Company's largest shareholder with an approximately 20% equity interest. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the Secondary Offering of $0.5 million were paid by the Company.

Closed Acquisition of CYC Design Corporation

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

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

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

Refinanced Credit Facility

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

Normal Course Issuer Bid

On January 12, 2022, the Company announced the commencement of a normal course issuer bid ("NCIB") through the facilities of the Toronto Stock Exchange to repurchase and cancel up to 3,732,725 of the Company's subordinate voting shares, representing approximately 5% of the public float of 74,654,507, during the twelve month period commencing January 17, 2022 and ending January 16, 2023. During Fiscal 2022, the Company repurchased 164,200 Shares for cancellation at an average price of $54.79 per subordinate voting share for total cash consideration of $9.0 million.

Appointment of Daniel Habashi to the Board of Directors

On January 12, 2022, the Company announced that Daniel Habashi will join Aritzia's Board of Directors effective January 14, 2022. Mr. Habashi is the General Manager of TikTok Canada, overseeing content and operations for the market. Mr. Habashi is recognized by Report on Business Magazine as one of Canada's best executives. He served as Chief Marketing Officer of Soho House & Co from 2018 to 2020 and has held leadership positions at Instagram, Facebook and Microsoft from 2005 to 2017. Mr. Habashi holds a Business Administration Management (Honours) Degree from Wilfrid Laurier University and an International Management degree from LIUC – Università Cattaneo. With the addition of Mr. Habashi, Aritzia's Board of Directors has eight out of ten directors who are independent under Canadian securities laws.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a worldwide pandemic. Since the outbreak, Aritzia's priorities have been the well-being of our people, clients and supporting the community while safeguarding the long-term financial strength of our business. In order to ensure the health and safety of our people, clients and communities, we implemented stringent protocols across our boutiques, distribution centre and support offices.

First quarter Fiscal 2022

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

Second quarter Fiscal 2022

As at July 12, 2021, all of the Company's boutiques had reopened. Our eCommerce business revenue continues to surge with 49% growth over the same period last year on top of the 82% growth that we saw in the second quarter of Fiscal 2021. Sales in our boutiques were exceptional, exceeding pre-pandemic levels with comparable sales growing(1) 14% from two years ago in the second quarter of Fiscal 2020.

Third quarter Fiscal 2022

For the first time since the start of the pandemic, all of our boutiques were open for the entire duration of the quarter. Our net revenues for the third quarter grew 63% over the same period last year, driven by sales growth across all geographies and all channels. Sales growth in the United States sustained unprecedented momentum, increasing 115% over the same period last year and representing 44% of our total revenue in the third quarter. Our eCommerce business continued to surge, increasing 47% on top of the 79% increase in the third quarter of Fiscal 2021. Our retail revenue increased by 72% over the same period last year, achieving comparable sales growth(1) of 58% compared to last year, while continuing to exceed pre-pandemic levels with comparable sales(1) growth of 26% from two years ago in the third quarter of Fiscal 2020.

Fourth quarter Fiscal 2022

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

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

The extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, the related government responses and any resulting health and safety measures or directives put in place by public health authorities, which are uncertain and cannot be predicted. Aritzia believes its eCommerce business is well-positioned to moderate these impacts.

See also the "Forward-Looking Information" and "Risk Factors" sections of this MD&A and in our AIF.

FINANCIAL HIGHLIGHTS

We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items discussed below and, when applicable, to the table entitled "Selected Consolidated Financial Information" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Q4 2022

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

Fiscal 2022

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

Strategic Accomplishments for Fiscal 2022

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

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

OUTLOOK

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

For fiscal 2023, Aritzia currently expects the following:

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

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

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

SELECTED FINANCIAL INFORMATION

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

Selected Consolidated Financial Information

(in thousands of Canadian dollars, unless otherwise noted)	**Q4 2022 13 Weeks**	**Q4 2021 13 Weeks**	**Fiscal 2022 52 Weeks**	**Fiscal 2021 52 Weeks**
Financial Summary:				
Net revenue	$ 444,322	$ 267,525	$ 1,494,630	$ 857,323
Cost of goods sold	264,816	164,600	839,678	544,818
Gross profit	179,506	102,925	654,952	312,505
Operating expenses				
Selling, general and administrative	120,221	72,357	392,802	250,726
Stock-based compensation	5,725	4,193	26,131	10,691
Income from operations	53,560	26,375	236,019	51,088
Finance expense	6,092	6,464	25,202	28,420
Other expense (income)	740	(2,129)	(8,783)	(3,534)
Income before income taxes	46,728	22,040	219,600	26,202
Income tax expense	12,503	5,970	62,683	6,975
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Net income per diluted share	$ 0.29	$ 0.14	$ 1.36	$ 0.17
Adjusted EBITDA(2)	$ 66,303	$ 35,205	$ 289,385	$ 76,812
Adjusted Net Income (2)	$ 39,475	$ 17,678	$ 176,736	$ 26,028
Adjusted Net Income (2) per Diluted Share	$ 0.34	$ 0.16	$ 1.53	$ 0.23
Weighted average number of diluted shares outstanding (thousands)	116,774	114,052	115,784	112,844
Cash and cash equivalents	$ 265,245	$ 149,147	$ 265,245	$ 149,147
Capital cash expenditures (net of proceeds from lease incentives)(2)	$ (16,434)	$ (9,415)	$ (52,607)	$ (42,529)
Free cash flow(2)	$ (37,047)	$ (24,936)	$ 221,937	$ 36,306
Percentage of Net Revenue:				
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	59.6%	61.5%	56.2%	63.5%
Gross profit	40.4%	38.5%	43.8%	36.5%
Operating expenses				
Selling, general and administrative	27.1%	27.0%	26.3%	29.2%
Stock-based compensation expense	1.3%	1.6%	1.7%	1.2%
Income from operations	12.1%	9.9%	15.8%	6.0%
Finance expense	1.4%	2.4%	1.7%	3.3%
Other expense (income)	0.2%	(0.8%)	(0.6%)	(0.4%)
Income before income taxes	10.5%	8.2%	14.7%	3.1%
Income tax expense	2.8%	2.2%	4.2%	0.8%
Net income	7.7%	6.0%	10.5%	2.2%
Adjusted EBITDA(2)	14.9%	13.2%	19.4%	9.0%
Adjusted Net Income (2)	8.9%	6.6%	11.8%	3.0%
Other Performance Metrics:				
Year-over-year net revenue growth (decline)	66.1%	(2.9%)	74.3%	(12.6%)
Comparable sales growth(2)	n/a	n/a	n/a	n/a
Boutiques:				
Number of boutiques, end of period	106	101	106	101
New boutiques	2	1	6	7
Repositioned to flagship boutique	-	(1)	-	(1)
Boutique closure	(1)	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	-	(1)
Boutiques expanded or repositioned	1	-	6	3

(2) Please see "How We Assess the Performance of Our Business" section of this MD&A for further details on these financial and operating measures.

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

Reconciliation to Non-IFRS Measures

(in thousands of Canadian dollars, unless otherwise noted)	Q4 2022 13 Weeks	Q4 2021 13 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:				
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Depreciation and amortization	12,110	10,723	44,569	38,871
Depreciation on right-of-use assets	17,593	16,410	68,058	66,278
Finance expense	6,092	6,464	25,202	28,420
Income tax expense	12,503	5,970	62,683	6,975
EBITDA	82,523	55,637	357,429	159,771
Adjustments to EBITDA:				
Stock-based compensation expense	5,725	4,193	26,131	10,691
Rent impact from IFRS 16, Leases(3)	(22,939)	(21,985)	(90,048)	(89,949)
Unrealized loss (gain) on equity derivative contracts	994	(2,640)	(11,192)	(3,701)
Fair value adjustment of NCI in exchangeable shares liability	-	-	2,000	-
Fair value adjustment for inventories acquired in CYC	-	-	1,902	-
Acquisition costs of CYC	-	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Adjusted EBITDA	66,303	35,205	289,385	76,812
Adjusted EBITDA as a percentage of net revenue	14.9%	13.2%	19.4%	9.0%
Reconciliation of Net Income to Adjusted Net Income:				
Net income	$ 34,225	$ 16,070	$ 156,917	$ 19,227
Adjustments to net income:				
Stock-based compensation expense	5,725	4,193	26,131	10,691
Unrealized loss (gain) on equity derivatives contracts	994	(2,640)	(11,192)	(3,701)
Fair value adjustment of NCI in exchangeable shares liability	-	-	2,000	-
Fair value adjustment for inventories acquired in CYC	-	-	1,902	-
Acquisition costs of CYC	-	-	2,633	-
Secondary Offering transaction costs	-	-	530	-
Related tax effects	(1,469)	55	(2,185)	(189)
Adjusted Net Income	$ 39,475	$ 17,678	$ 176,736	$ 26,028
Adjusted Net Income as a percentage of net revenue	8.9%	6.6%	11.8%	3.0%
Weighted Average Number of Diluted Shares Outstanding (thousands)	116,774	114,052	115,784	112,844
Adjusted Net Income per Diluted Share	$ 0.34	$ 0.16	$ 1.53	$ 0.23

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

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

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

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

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

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

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

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

SUMMARY OF FACTORS AFFECTING PERFORMANCE

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America, we have seen, and expect to continue to see, a direct, material adverse impact to many of the factors affecting our performance. The extent of the impact of such emergency measures, will depend on future developments, including the duration and severity of COVID-19 in the local markets in which we operate, which are uncertain and cannot be predicted.

We generally believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below. See also the "Risk Factors" section of this MD&A and in our AIF.

Our Brand and Products

Our exclusive fashion brands offer a strategic mix of exclusive brands that have been thoughtfully conceived, created, and developed. We believe that a key area of differentiation for us is that we design apparel and accessories for our collection of exclusive brands. Our multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in client demand and fashion preferences, which has been critical to our growth while also reducing risk.

Our exclusive brands are supported by in-house design teams focused on creating beautiful, quality products that align with the unique positioning, look and feel of each brand. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Exclusive brands currently represent over 96% of Aritzia's net revenue. Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, shorts, skirts, dresses, denim, intimates, swimwear, accessories, and men's wear (resulting from our acquisition of CYC) for each season. We maintain a flexible mix of historically successful items and new seasonal styles. Our changing product mix is a blended reflection of client demands and fashion trends. This strategic mix helps us to drive client conversion by delivering fashion must-haves, while still generating a meaningful proportion of revenue from our fashion essentials. We complement our exclusive product mix with a strategically chosen selection of premium denim, accessories and footwear from leading contemporary third-party brands. Our expansive and diverse range of women's fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for our clients, producing strong and enduring client loyalty.

Product Strategy

We control the design, merchandise planning, sourcing, production and retail functions of our exclusive brands and complement this with third-party brands as appropriate. This strategy allows us to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place. Product design and quality are meticulously evaluated and controlled by us, from fabrics to trims, and styling to fit. In Fiscal 2021 we implemented our Product Lifecycle Management system to further support our product strategy and processes. This system has allowed us to consolidate and manage all of our product development data and tools into a single place and improved our focus on innovation and product quality, increase speed to market where appropriate, and ultimately has optimized manufacturing costs.

Creative Development

We have talented teams of in-house designers who focus on creating products featuring high quality fabrics, considered detailing, sophisticated construction and superior fit. Our product design and development process builds on proven sellers while taking new fashion trends into account with the goal of creating fashion must-haves each season. Our in-house technical team ensures all products are executed in a manner that is consistent with our design and delivers superior fit and sophisticated construction in the production of our exclusive brands. We partner with best in class mills and suppliers to create and sample garments, which are fit-tested twice before production. We ensure that the quality of our raw materials and the finished product are all held to our high standards and the expectations of our clients.

Merchandise Planning

Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined for more than three decades, and are designed to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place.

Each year we develop product in two or four seasonal collections for our exclusive brands. We generate a meaningful proportion of revenue from our proven sellers while driving excitement through new seasonal product assortment. We buy in initial quantities that allow us to gauge client demand and follow up with larger orders when proven successful to maximize revenue. We analyze sales data in order to make inventory adjustments and to respond to the latest trends. Our inventory management processes and systems provide us with the ability to optimize inventory across our channels to ensure that each boutique and aritzia.com is merchandised with products that resonate with local preferences. By actively monitoring sell-through rates and managing the mix of product categories in our boutiques and aritzia.com, we are able to respond to emerging trends in a timely manner, minimize our dependence on any particular category, style or fabrication and preserve a balanced, coordinated presentation of merchandise within each boutique while being able to offer our client the entire assortment online. We believe that our disciplined merchandise planning strategy allows us to optimize inventory levels and maximize full-price sales.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands who provide us with the flexibility to source high quality materials and products at competitive costs. We believe that our approach of sourcing a majority of our raw materials and working directly with suppliers and manufacturers enhances our ability to create beautiful and high-quality products in a timely manner.

We source the majority of our raw materials directly from mills, trim suppliers and manufacturers, located primarily in China, Italy, Japan, South Korea, and Taiwan which we believe to be best in class that uphold our standards for quality, lead time and cost. Our finished goods are sourced from manufacturers located primarily in Cambodia, China, Peru, Portugal, Romania, Sri Lanka and Vietnam. We continue to monitor and diversify our supplier base, taking into consideration the geo-political and economic environment to mitigate risk. Capacity planning with our manufacturers is done at the beginning of the season to ensure flexibility. We engage third parties to inspect our manufacturers' factories to ensure quality control and engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards. We have implemented and enforce a Supplier Code of Conduct and initiatives to increase transparency with respect to the origins of our raw materials.

Boutiques

We have developed our boutique network in a measured and disciplined manner. We have a portfolio of boutiques situated in premier real estate locations in high performing retail malls and high streets in North America. Our strong boutique sales productivity continues to make us a sought-after tenant for top quality locations in premier shopping destinations. In addition to opening new Aritzia and exclusive brand boutiques (e.g. Wilfred, Babaton, Super World, and TNA), we generate attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique expansions and repositions.

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

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

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

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

eCommerce and Omni-Channel Innovation

Launched in fiscal 2013, our eCommerce business quickly surpassed our growth expectations and has continued to experience growth year over year in online traffic. We continue to invest in our digital capabilities to support our eCommerce business:

— *Drive our omni-channel growth and capabilities* – Our clients shop both online and in our boutiques, and we believe there are synergies between our boutique network and aritzia.com, with the success of each channel benefiting the other through increased brand awareness and affinity. We launched store inventory visibility to allow clients to pre-shop our boutiques. Our clients have responded positively and as a result, we are seeing an improvement in retail sales driven from store inventory visibility as well as a reduction in call volume to our Concierge team regarding store inventory availability. We are now focusing our efforts on buy online, ship from store, buy online, pickup from store and omni order history. Due to the growth of our omni-channel client base, we anticipate significant benefit from the evolution of these omni services.

— *Capitalize on digital marketing channels to drive client acquisition and retention* – We are directing resources with a renewed focus on digital marketing, including programs centred on search engine optimization enhancements, refinement of our email marketing, and further leveraging our social media. We made numerous technical enhancements to improve our search engine optimization results, including navigation bread crumbs, improved product descriptions, and data driven category naming. We are pleased with the positive impact this has had on new client visits.

— *Deliver personalized experiences* – We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our clients. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and client loyalty. We have begun to customize merchandising and content experience based on geography and climate and will continue to evolve personalized experiences into Fiscal 2023. We are planning on leveraging personalization technology in Fiscal 2023 which will allow us to be more targeted and nimble as we scale our capabilities.

— *Improve the digital experience to enhance the shopping experience online* – Aritzia is focused on improving the digital experience across all devices (e.g., desktop, mobile, tablet) to work towards making shopping frictionless. We continue to implement a number of core optimizations including user reviews and fit guides, enhancing site search functionality, landing page templates, and numerous checkout improvements to reduce client friction. The core areas of our client's digital journey including discovery, evaluating, and purchase are continuously improved resulting in increased conversion rate and average order value. We have also re-set our optimization program, embedding a culture of test and learn on how we go to market with new features and capabilities. For example, we have tested the optimal placement of visual size and fit guides on our category and product pages.

Distribution Facilities

Our current distribution network consists of three distribution centres, two in Canada and one in the United States, that are well positioned to service our boutiques and eCommerce business. We operate our distribution centre located in New Westminster, British Columbia, while the distribution centres located in Mississauga, Ontario and Columbus, Ohio are operated by third-party logistics providers. Our inventory is centrally managed, and shared amongst our boutiques and eCommerce business.

Our distribution centre in New Westminster, British Columbia is a 223,000 square foot facility. We continue to upgrade our warehouse management system to enhance our supply chain system flexibility and scalability. During Fiscal 2020, we completed expansions at both of our third-party distribution centres in Mississauga, Ontario and Columbus, Ohio, from 75,000 square feet to 150,000 square feet and from 138,000 to 240,000 square feet, respectively. In total, we added 177,000 square feet of space, representing an approximately 80% increase in size for these facilities. We have started retro-fitting work in our New Westminster, British Columbia and Columbus, Ohio distribution centres in order to expand capability and capacity to accommodate the surge of eCommerce growth without having to add more space. These expansions support both our retail and eCommerce businesses with added capacity to handle higher levels of throughput. Our current facilities are set up to flexibly manage multi-channel and omni-channel demands, as our business continues to grow.

In Fiscal 2022 we broke ground on a new facility that we will be operating in Vaughan, Ontario. This new facility will be in-sourced and will replace our existing 150,000 square feet distribution centre operated by a third-party logistics provider with a new 552,300 square feet distribution centre operated by Aritzia. It is anticipated that the new facility will be operational by Fiscal 2024.

Systems and Infrastructure

Our focus on building our digital infrastructure impacts everything we do. In our view, digital is about more than just our technology and eCommerce operations, it runs through the business all the way from design to the service we deliver in boutiques. We use best-in-class information systems to support the major functional aspects of our business. Ongoing upgrades and investments are expected to increase our efficiency and support our growth.

Enterprise Management

Across the organization, we use SAP, a sophisticated enterprise resource planning system, to provide business process support and intelligence across customer, marketing, Concierge, merchandise planning, inventory management, production, costing, order management, finance, accounting, reporting and analysis. As the backbone of our infrastructure, this system has the flexibility to support global and multi-channel expansion.

Clients – Omni Project

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

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

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

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

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

Concierge

Launched in Fiscal 2020, this integrated solution enhances our client experience throughout the lifecycle of their purchase. It is also a revenue generating opportunity as we personalize each client interaction through our client care centre. This platform was instrumental in supporting the significant increase in client care engagements during Fiscal 2021 as a direct result of the surge in eCommerce volumes.

Boutiques

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

eCommerce

aritzia.com is powered by Salesforce Commerce Cloud since its launch in fiscal 2013. With our eCommerce business growing, we continue to invest in our digital capabilities. In Fiscal 2022 we launched store inventory visibility, digital e-gift cards, SuperWorld.com, personalized merchandising, and design enhancements and improvements throughout the client journey. We have seen a positive impact to our retail sales with the launch of store inventory visibility, as well as decreased call volume to our Concierge team regarding store inventory. Digital gift card adoption was immediate during holiday 2021 and clients received access to the gifts cards immediately, and we reduced operational costs as well as reduced packaging. Our SuperWorld.com online experience propelled our brand and allowed us to showcase the unique Super World brand aesthetic while distinguishing from the look and feel of aritzia.com. We saw improvements to our conversion rate driven by our thoughtful merchandising strategy, prioritizing relevant styles to shoppers based on our unique point of view and where clients live. Our branding and design evolution has also manifested itself online, creating a compelling and elevated look and feel that is consistent with our brand objectives.

Going forward, we continue to evolve and refine our omni-channel capabilities to further elevate our clients' shopping experience, to provide a centralized view of inventory and unlock order fulfillment capabilities to improve cross channel activities such as, buy online, ship from store and buy online, pickup in store. We are also directing resources with a renewed focus on digital marketing and increasing the use of data analytics to improve online conversion and client loyalty through increased personalization.

Product

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

Distribution and Logistics

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

Business Support

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

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

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

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

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

Environment, Social & Governance (ESG)

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

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

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

Consumer Trends

The apparel industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. Our differentiated multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in consumer demand and fashion preferences, which has been a critical driver of the consistency of our growth. Our diversified mix of exclusive brands satisfies a broad range of fashion needs, which allows us to attract a wide client base and increases our addressable market. Our revenue is also impacted by discretionary spending by consumers, which is affected by many factors that are beyond our control, including, but not limited to, general economic conditions, consumer disposable income levels, consumer confidence levels, consumer debt, the cost of basic necessities and other goods and the effects of weather, natural disasters or global pandemics. We believe that our track record demonstrates the success of our exclusive brand strategy at responding to changes in fashion demands through all stages of economic cycles.

Seasonality

The women's apparel industry is seasonal in nature, with a higher proportion of net revenue and operating income generated in the second half of the fiscal year, which includes the back-to-school and holiday seasons. We also have higher working capital requirements in the periods preceding the launch of new seasons as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our revolving credit facility.

Average quarterly share of annual net revenue over the last three completed fiscal years is as follows:

First fiscal quarter	17%
Second fiscal quarter	24%
Third fiscal quarter	29%
Fourth fiscal quarter	30%
Yearly total	100%

Weather

Extreme weather conditions in the areas in which our boutiques are located could adversely affect our business and financial results. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our clients to travel to our boutiques and thereby reduce our revenue and profitability. This is potentially mitigated by our clients' ability to buy our products through aritzia.com. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect our ability to execute our strategy to effectively present seasonal inventory.

Competition

We operate in the women's apparel industry, primarily within the North American market. We are strategically positioned in the global fashion landscape between fast fashion and luxury. We compete with a diverse group of specialty apparel retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel. Market participants compete on the basis of, among other things, the location of boutiques, the breadth, style, quality, price and availability of merchandise, the level of client service and brand recognition. We believe that we successfully compete on the basis of several factors that include our strategic mix of exclusive brands, offering of a combination of high quality products at an attainable price point, our refined and proven merchandise planning strategy, our focus on providing an aspirational shopping experience and exceptional client service, our premier real estate portfolio and our market positioning, collectively resulting in a fashion brand loved by women all over the world.

Foreign Exchange

The majority of our net revenue is derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars. Fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross profit margins and operating results. From time to time, we use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategies will prove to be successful. See "Financial Instruments" and "Risk Factors" sections of this MD&A.

HOW WE ASSESS THE PERFORMANCE OF OUR BUSINESS

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net revenue reflects our sale of merchandise, less returns and discounts. Retail revenue at point-of-sale is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns. For merchandise that is ordered and paid in a boutique and subsequently picked up by or delivered to the customer, revenue is deferred until control of the merchandise has been transferred to the customer. eCommerce revenue is recognized at the date of estimated delivery to the customer, and measured at the fair value of consideration received, net of discounts and an estimated allowance for returns. Revenues are reported net of sales taxes collected for various governmental agencies.

Comparable sales growth is a retail industry metric used to explain our total combined revenue growth in eCommerce and established boutiques. Comparable sales from established boutiques is calculated based on revenue from boutiques that have been opened for at least 56 weeks, and excludes boutiques that were expanded or repositioned, boutiques in centres where we opened a new additional boutique and boutiques significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. We apply the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison (i.e. on a constant currency basis).

Due to temporary boutique closures from COVID-19, which resulted in boutiques being removed from our comparable store base, we believe total comparable sales growth is not currently representative of our business and therefore we have not reported figures on this metric in this MD&A. Instead, we may make a temporary reference in this MD&A to retail comparable sales growth from established boutiques which is calculated as comparable sales growth with the exclusion of eCommerce revenue growth.

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs, variable lease payments and other occupancy-related expenses, as well as depreciation expense for our boutique and distribution centre assets. Our cost of goods sold may include different costs compared to other retailers. Gross profit margin is impacted by the components of cost of goods sold, product mix and markdowns. We define gross profit margin as our gross profit divided by our net revenue.

Selling, general and administrative ("SG&A") expenses consists of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets. We expect our SG&A expenses to increase as we continue to open new boutiques, grow our eCommerce business, increase brand awareness and invest in our infrastructure and people.

SG&A expenses as a percentage of net revenue, excluding strategic investments in technology and infrastructure, are usually higher in the lower-volume first and second quarters, and lower in the higher-volume third and fourth quarters because a portion of these costs are relatively fixed. Our SG&A expenses may include different expenses compared to other retailers.

EBITDA is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense.

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

Adjusted Net Income (per Diluted Share) is a useful measure of performance, as we believe it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted Net Income as consolidated net income, adjusted for the impact of certain items, including stock-based compensation expense, unrealized gains or losses on equity derivative and forward contracts, fair value adjustment for inventories acquired in CYC, fair value adjustments of NCI in exchangeable shares liability and other non-cash items and/or items that we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. We define Adjusted Net Income per Diluted Share by dividing Adjusted Net Income by the weighted average number of diluted shares outstanding.

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

Free cash flow is an important metric because it is an indicator of how much cash is available for business acquisitions, debt repayment, share repurchases and other investing and financing activities. Our sustained ability to generate free cash flow is an indicator of the financial strength of our business, as we require regular capital expenditures to build and maintain boutiques and invest in infrastructure. We define free cash flow as net cash generated from operating activities excluding interest paid on credit facilities, plus proceeds from lease incentives, less repayments of principal on lease liabilities and cash used for the purchase of property, equipment and intangible assets.

NON-IFRS MEASURES INCLUDING RETAIL INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per Diluted Share", "capital cash expenditures (net of proceeds from lease incentives)", and "free cash flow." This MD&A also makes reference to "gross profit margin" as well as "comparable sales growth", which are commonly used operating metrics in the retail industry but may be calculated differently compared to other retailers. Gross profit margin and comparable sales growth are considered supplementary measures under applicable securities laws. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. These non-IFRS measures, including retail industry metrics, are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including retail industry metrics, in the evaluation of issuers. Our management also uses non-IFRS measures, including retail industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

RESULTS OF OPERATIONS

Analysis of Results for Fourth Quarter Fiscal 2022

Consolidated Statements of Operations

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

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

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

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

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

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

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

SG&A expenses increased by 66.1% to $120.2 million, compared to $72.4 million in Q4 2021. SG&A expenses were 27.1% of net revenue, compared to 27.0% in Q4 2021. The increase in SG&A expenses was primarily due to variable selling costs associated with the increase in revenue and continued investment in talent, technology, and marketing initiatives.

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

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

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

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

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

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

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

Finance expense decreased by $0.4 million to $6.1 million, compared to $6.5 million in Q4 2021. The decrease in finance expense was primarily due to a reduction in interest expense from having repaid the term loan of $75.0 million in Q2 2022.

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

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

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

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

Income tax expense was $12.5 million, compared to $6.0 million in Q4 2021 and the effective tax rates for Q4 2022 and Q4 2021 were 28.0% and 27.1%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $34.2 million, an increase of 113.0% compared to $16.1 million in Q4 2021. The increase in net income was primarily due to a 66.1% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

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

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

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

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

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

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

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

Analysis of Results for Fiscal 2022

Consolidated Statements of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance expense decreased by $3.2 million to $25.2 million, compared to $28.4 million in Fiscal 2021. The decrease in finance expense was primarily due to a reduction in interest expense from having repaid the term loan of $75.0 million in Q2 2022 and no amounts drawn on the revolving credit facility compared to Fiscal 2021, along with lower interest expense on lease liabilities in Fiscal 2022.

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

Other income of $8.8 million in Fiscal 2022 primarily relates to:
- unrealized gain on equity derivative contracts of $11.2 million,
- interest and other income of $1.6 million and
- unrealized and realized operational foreign exchange gains of $1.2 million, partially offset by
- transaction costs relating to the acquisition of CYC of $2.6 million,
- fair value adjustments of NCI in exchangeable shares liability of $2.0 million, and
- transaction costs relating to the Secondary Offering of $0.5 million.

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

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

Income tax expense was $62.7 million, compared to $7.0 million in Fiscal 2021 and the effective tax rates for Fiscal 2022 and Fiscal 2021 were 28.8% and 26.6%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $156.9 million, compared to $19.2 million in Fiscal 2021. The increase in net income was primarily due to a 74.3% increase in net revenue, partially offset by the Company's continued investment in talent, technology and marketing initiatives.

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal uses of funds are for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our credit facility, are expected to be sufficient to meet our future operating expenses, capital expenditures, debt service requirements and return to shareholders (share buybacks). Our ability to fund future operating expenses, capital expenditures, debt service requirements and return to shareholders (share buybacks) will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Summary of Factors Affecting Performance", "Recent Events" and "Risk Factors" of this MD&A for additional information. We review investment opportunities in the normal course of our business and may make select investments to implement our business strategy when suitable opportunities arise. Historically, the funding for any such investments has come from cash flows from operating activities and/or our revolving credit facility.

Revolving Credit Facility

As at February 27, 2022, we have a $175.0 million revolving credit facility. No amounts were drawn on the revolving credit facility as at February 27, 2022. See the "Recent Events" section of this MD&A.

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

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

The revolving credit facility agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on us and each credit facility guarantor, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, liquidate or dissolve, engage in any material business other than the fashion retail business, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements, enter into sale-leaseback transactions, ensure pension plan compliance, sell or discount receivables, enter into agreements with unconditional purchase obligations, issue shares, create or acquire a subsidiary or make any hostile acquisitions.

Cash Flows

The following table presents cash flows for the periods indicated.

(in thousands of Canadian dollars)	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
Net cash generated from operating activities	$ 733	$ 5,438	$ 338,353	$ 125,628
Net cash used in financing activities	(20,171)	(17,969)	(124,093)	(40,586)
Cash used in investing activities	(20,734)	(11,368)	(99,576)	(50,848)
Effect of exchange rate changes on cash and cash equivalents	(515)	(990)	1,414	(2,797)
Change in cash and cash equivalents	$ (40,687)	$ (24,889)	$ 116,098	$ 31,397

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2022

Cash Flows Generated from Operating Activities

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

For Fiscal 2022, cash flows generated from operating activities totaled $338.4 million, compared to $125.6 million in Fiscal 2021. This change was primarily attributable to an increase in income from operations and lower use of working capital due to the timing of payments, partially offset by an increase in income taxes paid.

Cash Flows Used in Financing Activities

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

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

Cash Flows Used in Investing Activities

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 27, 2022, we had purchase obligations of $155.9 million, which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at February 27, 2022, letters of credit totaling $43.5 million have been issued.

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

FINANCIAL INSTRUMENTS

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

Contingent consideration

We have a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at February 27, 2022, the Company recorded a contingent consideration liability of $13.2 million.

Non-controlling interest in exchangeable shares liability

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

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

As at February 27, 2022, the fair value of the non-controlling interest in exchangeable shares liability was $35.5 million.

Equity derivative contracts

We have equity derivative contracts to hedge the share price exposure on our cash-settled deferred and restricted share units. These contracts are not designated as hedging instruments for accounting purposes. Changes in the fair value of equity derivative contracts are recorded in net income. As at February 27, 2022, the equity derivative contracts had a positive fair value of $15.6 million which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During the year ended February 27, 2022, we made payments of $4.9 million (February 28, 2021 - $4.2 million) for lease of premises and management services and $1.0 million (February 28, 2021 - $0.7 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at February 27, 2022, the outstanding balance of lease liabilities owed to these companies was $13.3 million (February 28, 2021 - $11.6 million). As at February 27, 2022, $0.5 million was included in accounts payable and accrued liabilities (February 28, 2021 - $0.2 million). These transactions were measured at the amount of consideration established at market terms.

TRANSACTIONS WITH KEY MANAGEMENT

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

(in thousands of Canadian dollars)	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
Salaries, directors’ fees and short-term benefits	$ 1,114	$ 555	$ 4,906	$ 3,860
Stock-based compensation	1,232	1,827	8,685	4,135
	$ 2,346	$ 2,382	$ 13,591	$ 7,995

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management’s best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The following discusses the most significant accounting judgments and estimates made by management in preparation of the consolidated financial statements:

Return Allowances

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

Valuation of Finished Goods Inventory

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

Impairment of Goodwill and Indefinite Life Intangible Assets

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

Leases

We estimate the incremental borrowing rate used for calculating lease liabilities and right-of-use assets. We determine the incremental borrowing rate of each leased asset as the rate of interest that we would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

We exercise judgment in determining the appropriate lease term at the lease commencement date. We exercise judgment on whether we will exercise available renewal or termination options, and thus include such options in the lease terms. We consider all facts and circumstances that create an economic incentive to exercise a renewal or termination option.

Business Combinations

Business combinations require judgment in applying the acquisition method of accounting and estimates to value identifiable assets and liabilities at the acquisition date. We may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Assumptions and estimates are used to determine cash flow projections, including the period of future benefit, future growth and discount rates, among other factors. The values place on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

Non-Controlling Interest in Exchangeable Shares Liability

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

SIGNIFICANT NEW ACCOUNTING STANDARDS

Standards Issued But Not Yet Adopted

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

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

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

Financial Instruments (Amendments to IFRS 9)

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

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

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the potential impact of these amendments.

RISK FACTORS

For a detailed description of risk factors associated with the Company, including COVID-19 risks, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at *www.sedar.com*.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, liquidity and equity price risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board of Directors on the adequacy of our risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk, liquidity risk and equity price risk.

Foreign Exchange Risk

We source the majority of our raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. Our foreign exchange risk is primarily with respect to the U.S. dollar but we have limited exposure to other currencies as well. We may use foreign exchange forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

Interest Rate Risk

We have a revolving credit facility which provides available borrowings in an amount up to $175.0 million. Because the revolving credit facility bears interest at a variable rate, we are exposed to market risks relating to changes in interest rates on outstanding balances. As at February 27, 2022, no advances were made under the revolving credit facility.

Credit Risk

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

Liquidity Risk

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

Equity Price Risk

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Changes in Internal Control Over Financial Reporting

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

CURRENT SHARE INFORMATION

As of May 4, 2022, an aggregate of 89,225,919 subordinate voting shares, 21,937,349 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by Brian Hill, our principal shareholder, Founder and Chief Executive Officer. As of May 4, 2022, an aggregate of 8,495,035 options and 96,836 performance share units to acquire subordinate voting shares are outstanding.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at *www.sedar.com*. The Company's subordinate voting shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ATZ".

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS AND CERTAIN PERFORMANCE MEASURES

The following table summarizes the results of our operations for the last eight most recently completed quarters. This unaudited quarterly information, other than Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per Diluted Share, free cash flow and comparable sales growth, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

Consolidated Quarterly Results

(in thousands of Canadian dollars, unless otherwise noted)	**Fiscal 2022**				**Fiscal 2021**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial Summary:								
Net revenue	$ 444,322	$ 453,323	$ 350,069	$ 246,916	$ 267,525	$ 278,254	$ 200,155	$ 111,389
Cost of goods sold	264,816	243,181	193,873	137,808	164,600	152,171	129,719	98,328
Gross profit	179,506	210,142	156,196	109,108	102,925	126,083	70,436	13,061
SG&A	120,221	110,084	92,115	70,382	72,357	74,707	60,151	43,511
Income (loss) from operations	53,560	90,949	55,819	35,691	26,375	48,004	8,138	(31,429)
Net income (loss)	34,225	64,941	39,848	17,903	16,070	30,502	(874)	(26,471)
Net income (loss) per share	$ 0.31	$ 0.59	$ 0.36	$ 0.16	$ 0.15	$ 0.28	$ (0.01)	$ (0.24)
Net income (loss) per Diluted Share	$ 0.29	$ 0.56	$ 0.35	$ 0.16	$ 0.14	$ 0.27	$ (0.01)	$ (0.24)
Adjusted EBITDA (4)	$ 66,303	$ 109,289	$ 72,891	$ 40,902	$ 35,205	$ 54,565	$ 12,274	$ (25,232)
Adjusted Net Income (Loss)(4)	$ 39,475	$ 71,199	$ 44,411	$ 21,651	$ 17,678	$ 32,188	$ 1,034	$ (24,872)
Adjusted Net Income (Loss)(4) per Diluted Share	$ 0.34	$ 0.61	$ 0.39	$ 0.19	$ 0.16	$ 0.29	$ 0.01	$ (0.23)
Weighted average number of Diluted Shares (in thousands)(5)	116,774	116,140	115,265	114,711	114,052	112,903	112,550	109,353
Cash and cash equivalents	$ 265,245	$ 305,932	$ 131,796	$ 157,878	$ 149,147	$ 174,036	$ 207,254	$ 224,313
Capital cash expenditures (net of proceeds from lease incentives)(4)	$ (16,434)	$ (20,318)	$ (9,333)	$ (6,522)	$ (9,415)	$ (10,383)	$ (10,586)	$ (12,145)
Free cash flow	$ (37,047)	$ 169,704	$ 77,347	$ 11,933	$ (24,936)	$ 68,387	$ (15,200)	$ 8,055
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	59.6%	53.6%	55.4%	55.8%	61.5%	54.7%	64.8%	88.3%
Gross profit	40.4%	46.4%	44.6%	44.2%	38.5%	45.3%	35.2%	11.7%
SG&A	27.1%	24.3%	26.3%	28.5%	27.0%	26.8%	30.1%	39.1%
Income (loss) from operations	12.1%	20.1%	15.9%	14.5%	9.9%	17.3%	4.1%	(28.2%)
Net income (loss)	7.7%	14.3%	11.4%	7.3%	6.0%	11.0%	(0.4%)	(23.8%)
Adjusted EBITDA (4)	14.9%	24.1%	20.8%	16.6%	13.2%	19.6%	6.1%	(22.7%)
Adjusted Net Income (Loss)(4)	8.9%	15.7%	12.7%	8.8%	6.6%	11.6%	0.5%	(22.3%)
Other Performance Metrics:								
Net revenue growth	66.1%	62.9%	74.9%	121.7%	(2.9%)	4.1%	(17.0%)	(43.4%)
Comparable sales growth(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Boutiques:(6)								
Number of boutiques, beginning of period	105	104	102	101	101	97	97	96
New boutiques added	2	1	2	1	1	5	-	1
Repositioned to a flagship boutique	-	-	-	-	(1)	-	-	-
Boutique closure	(1)	-	-	-	-	-	-	-
Boutique temporarily closed due to mall redevelopment	-	-	-	-	-	(1)	-	-
Number of boutiques, end of period	106	105	104	102	101	101	97	97
Boutiques expanded or repositioned	1	4	1	-	-	2	1	-

Notes:

(4) See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, which are non-IFRS measures and comparable sales growth, which is a supplementary measure. See also "Non-IFRS Measures including Retail Industry Metrics".

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

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

Financial Statements

Independent auditor's report

To the Shareholders of Aritzia Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aritzia Inc. and its subsidiaries (together, the Company) as at February 27, 2022 and February 28, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 27, 2022 and February 28, 2021;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended February 27, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of the brand intangible asset acquired and the exchangeable shares liability recognized in the CYC Design Corporation (CYC) acquisition *Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgments, note 5 – Acquisition of CYC Design Corporation and note 13 – Financial instruments to the consolidated financial statements.* The Company acquired 75% of the common shares of CYC for a total consideration of $46.1 million on June 25, 2021. The fair value of the identifiable assets acquired included $27.4 million of intangible assets, of which $26.2 million relates to a brand (the brand intangible asset). Management applied judgment in estimating the fair value of the brand intangible asset. To estimate the fair value of the brand intangible asset, management used the relief from royalty method using a discounted cash flow model. Management developed assumptions related to future growth rates and the discount rate. As part of the acquisition, the shareholders holding the remaining common shares of CYC exchanged their common shares for exchangeable shares, which represent a financial liability for CYC as they can be put back to CYC by holders at specified future dates in exchange for a variable number of the Company's shares. The fair value of the exchangeable shares liability was determined to be $33.5 million on acquisition. Management applied judgment in estimating the fair value of the exchangeable shares liability. To estimate the fair value of the exchangeable shares liability,	Our approach to addressing the matter included the following procedures, among others: • Read the purchase agreement. • Tested how management estimated the fair value of the brand intangible asset which included the following: ○ Tested the mathematical accuracy and underlying data used by management in the discounted cash flow model. ○ Evaluated the reasonableness of the future growth rates applied by management by considering the current and past performance of Aritzia and the acquired company CYC. ○ Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's relief from royalty method and the reasonableness of the discount rate. • With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the fair value of the exchangeable shares liability using the Monte Carlo simulation, which included the following: ○ Developed an independent expectation for the assumptions related to the gross profit expected volatility and the gross profit discount rate.

pwc

Key audit matter	How our audit addressed the key audit matter
management used the Monte Carlo simulation. The Monte Carlo simulation includes assumptions related to the gross profit expected volatility and the gross profit discount rate. We considered this a key audit matter due to the judgment by management in estimating the fair value of the brand intangible asset and the exchangeable shares liability, including the development of assumptions relating to future growth rates, the discount rate, the gross profit expected volatility and the gross profit discount rate. This in turn led to auditor judgment and subjectivity and a high degree of audit effort in performing procedures and evaluating audit evidence relating to the assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	○ Compared the independent point estimate to management's estimate to evaluate the reasonableness of the fair value of the exchangeable shares liability. • Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regards to the exchangeable shares liability.
Inventory *Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgments and note 6 – Inventory to the consolidated financial statements.* As at February 27, 2022, the Company held inventory of $208.1 million including finished goods in transit of $69.7 million. Inventory is carried at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventory includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres. We considered this a key audit matter due to the number of inventory locations at which inventory was held and the audit effort involved in testing the inventory.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of relevant controls relating to the accounting for inventory, including the mathematical accuracy of the weighted average cost method. • Tested a sample of inventory items to purchase invoices. • Observed the inventory count process for all distribution centres and for a sample of boutiques near year-end and performed independent test counts. • Tested on a sample basis, the finished goods in transit at year-end by agreeing to third party shipment documents, inventory receipts to distribution centres, and purchase invoices.

Key audit matter	How our audit addressed the key audit matter
	• Tested on a sample basis, inventory received post year-end to shipping documents to assess whether inventory was recorded appropriately at year-end. • Tested how management determined net realizable value, which included testing a sample of inventory items to the most recent retail prices of the inventory items.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Coard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 5, 2022

Aritzia Inc.

Consolidated Statements of Financial Position

As at February 27, 2022 and February 28, 2021

(in thousands of Canadian dollars)

	Note	February 27, 2022	February 28, 2021
Assets			
Cash and cash equivalents		**$ 265,245**	$ 149,147
Accounts receivable		**8,147**	6,202
Income taxes recoverable		**6,455**	4,719
Inventory	5,6	**208,125**	171,821
Prepaid expenses and other current assets	1, 13	**33,564**	23,452
Total current assets		**521,536**	355,341
Property and equipment	7	**223,190**	189,568
Intangible assets	5,8	**87,398**	62,049
Goodwill	5,8	**198,846**	151,682
Right-of-use assets	5,9	**362,887**	363,417
Other assets		**4,271**	2,886
Deferred tax assets		**26,458**	15,794
Total assets		**$ 1,424,586**	$ 1,140,737
Liabilities			
Accounts payable and accrued liabilities	10	**$ 179,344**	$ 131,893
Income taxes payable		**58,917**	8,287
Current portion of contingent consideration	5,13	**6,619**	-
Current portion of lease liabilities	9	**86,724**	71,452
Deferred revenue		**55,721**	37,563
Total current liabilities		**387,325**	249,195
Lease liabilities	9	**417,067**	423,380
Other non-current liabilities	11	**22,359**	15,059
Contingent consideration	5,13	**6,618**	-
Non-controlling interest in exchangeable shares liability	5,13	**35,500**	-
Deferred tax liabilities	5	**24,906**	17,985
Long-term debt	12	**-**	74,855
Total liabilities		**$ 893,775**	$ 780,474
Shareholders' equity			
Share capital	14	**$ 251,291**	$ 228,665
Contributed surplus		**56,342**	56,606
Retained earnings		**223,553**	75,216
Accumulated other comprehensive loss		**(375)**	(224)
Total shareholders' equity		**530,811**	360,263
Total liabilities and shareholders' equity		**$ 1,424,586**	$ 1,140,737

Commitments and contingencies (note 21)

Approved by the Board of Directors

Brian Hill Director John Currie Director

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

Aritzia Inc.

Consolidated Statements of Operations

For the years ended February 27, 2022 and February 28, 2021

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

	Note	February 27, 2022	February 28, 2021
Net revenue	17, 20	**$ 1,494,630**	$ 857,323
Cost of goods sold	1, 18	**839,678**	544,818
Gross profit		**654,952**	312,505
Operating expenses			
Selling, general and administrative	1	**392,802**	250,726
Stock-based compensation expense	15, 18	**26,131**	10,691
Income from operations		**236,019**	51,088
Finance expense	9, 12, 18	**25,202**	28,420
Other expense (income)	5, 13, 18	**(8,783)**	(3,534)
Income before income taxes		**219,600**	26,202
Income tax expense	19	**62,683**	6,975
Net income		**$ 156,917**	$ 19,227
Net income per share			
Basic	16	**$ 1.42**	$ 0.18
Diluted	16	**$ 1.36**	$ 0.17
Weighted average number of shares outstanding (thousands)			
Basic	16	**110,401**	109,487
Diluted	16	**115,784**	112,844

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

Aritzia Inc.

Consolidated Statements of Comprehensive Income

For the years ended February 27, 2022 and February 28, 2021

(in thousands of Canadian dollars)

	February 27, 2022	February 28, 2021
Net income	**$ 156,917**	$ 19,227
Other comprehensive income		
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation adjustment	**(151)**	458
Comprehensive income	**$ 156,766**	$ 19,685

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

Aritzia Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended February 27, 2022 and February 28, 2021

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

	Multiple voting shares		Subordinate voting shares					
	Shares	Amounts	Shares	Amounts	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance, March 1, 2020	24,537,349	$ 17,737	84,811,212	$ 201,313	$ 57,221	$ 56,476	$ (682)	$ 332,065
Net Income	-	-	-	-	-	19,227	-	19,227
Options exercised (note 15)	-	-	643,922	9,707	(6,645)	-	-	3,062
Stock-based compensation expense on equity-settled plans (note 15)	-	-	-	-	6,030	-	-	6,030
Shares repurchased for cancellation	-	-	(38,664)	(92)	-	(487)	-	(579)
Foreign currency translation adjustment	-	-	-	-	-	-	458	458
Balance, February 28, 2021	**24,537,349**	**$ 17,737**	**85,416,470**	**$ 210,928**	**$ 56,606**	**$ 75,216**	**$ (224)**	**$ 360,263**
Net Income	**-**	**-**	**-**	**-**	**-**	**156,917**	-	**156,917**
Options exercised (note 15)	**-**	**-**	**1,328,799**	**23,044**	**(11,571)**	**-**	-	**11,473**
Stock-based compensation expense on equity-settled plans (note 15)	**-**	**-**	**-**	**-**	**11,307**	**-**	-	**11,307**
Shares exchange at secondary offering (note 14)	**(2,600,000)**	**(1,879)**	**2,600,000**	**1,879**	**-**	**-**	-	**-**
Shares repurchased for cancellation (note 14)	**-**	**-**	**(164,200)**	**(418)**	**-**	**(8,580)**	**-**	**(8,998)**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(151)**	**(151)**
Balance, February 27, 2022	**21,937,349**	**$ 15,858**	**89,181,069**	**$ 235,433**	**$ 56,342**	**$ 223,553**	**$ (375)**	**$ 530,811**

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

Aritzia Inc.

Consolidated Statements of Cash Flows

For the years ended February 27, 2022 and February 28, 2021

(in thousands of Canadian dollars)

	Note	February 27, 2022	February 28, 2021
Operating activities			
Net income for the period		**$ 156,917**	$ 19,227
Adjustments for:			
Depreciation and amortization	7, 8	**44,569**	38,871
Depreciation on right-of-use assets	9	**68,058**	66,278
Fair value adjustment for inventory acquired in CYC Design Corporation	5	**1,902**	-
Fair value adjustment of non-controlling interest in exchangeable shares liability	5, 18	**2,000**	-
Finance expense	18	**25,202**	28,420
Stock-based compensation expense	15, 18	**26,131**	10,691
Amortization of deferred lease inducements		**(1,056)**	(934)
Unrealized gain on equity derivative contracts	13, 18	**(11,192)**	(3,701)
Income tax expense	19	**62,683**	6,975
Rent concessions relating to lease liabilities	1, 9	**(3,800)**	(13,903)
Cash generated before non-cash working capital balances and interest and income taxes		**371,414**	151,924
Net change in non-cash working capital	23	**18,723**	3,913
Cash generated before interest and income taxes		**390,137**	155,837
Interest paid		**(2,491)**	(4,651)
Interest paid on lease liabilities	9	**(23,128)**	(22,887)
Income taxes paid		**(26,165)**	(2,671)
Net cash generated from operating activities		**338,353**	125,628
Financing activities			
Proceeds from revolving credit facility	12	**-**	100,000
Repayment of revolving credit facility	12	**-**	(100,000)
Payment of financing fees	12	**(651)**	-
Repayment of principal on lease liabilities	9	**(66,300)**	(51,444)
Proceeds from lease incentives		**14,414**	8,319
Proceeds from options exercised	15	**11,473**	3,062
Shares repurchased for cancellation	14	**(8,029)**	(523)
Repayment of long-term debt	12	**(75,000)**	-
Net cash used in financing activities		**(124,093)**	(40,586)
Investing activities			
Acquisition of CYC Design Corporation, net of cash acquired	5	**(32,555)**	-
Purchase of property and equipment	7	**(65,427)**	(50,255)
Purchase of intangible assets	8	**(1,594)**	(593)
Cash used in investing activities		**(99,576)**	(50,848)
Effect of exchange rate changes on cash and cash equivalents		**1,414**	(2,797)
Change in cash and cash equivalents		**116,098**	31,397
Cash and cash equivalents – Beginning of year		**149,147**	117,750
Cash and cash equivalents – End of year		**$ 265,245**	$ 149,147

Supplemental cash flow information (note 23)

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

(in thousands of Canadian dollars, unless otherwise noted)

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the “Company”) are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. The Company provides immersive and highly personal shopping experiences at aritzia.com and in 100+ boutiques throughout North America.

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

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

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, non-controlling interest in exchangeable shares liability, deferred share units and restricted share units, as disclosed in the accounting policies set out in note 2. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

The Company’s fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. All references to 2022 and 2021 represent the fiscal years ended February 27, 2022 and February 28, 2021, respectively.

Seasonality of operations

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

These consolidated financial statements were authorized for issue on May 5, 2022 by the Company’s Board of Directors (“Board”).

COVID-19 Pandemic

On March 12, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. On March 16, 2020, in line with recommendations by public health officials and guidance from local government authorities, the Company temporarily closed all of its retail boutiques in Canada and the United States. On May 7, 2020, the Company began a phased reopening of its retail boutiques. As part of the reopening plan, the Company implemented extensive health and safety measures designed to protect its people, clients and

(in thousands of Canadian dollars, unless otherwise noted)

communities. As of September 9, 2020, all of the Company's boutiques had reopened. Beginning November 23, 2020 and through the fourth quarter of Fiscal 2021, as a result of the resurgence of COVID-19 and in line with government regulations, the Company temporarily reclosed 39 of its boutiques primarily located in Ontario and Quebec. As at February 28, 2021, 18 of these boutiques remained temporarily closed. Through the first quarter of Fiscal 2022, all of the Company's boutiques were reopened but 34 boutiques were temporarily re-closed based on government and health authority guidance in Ontario, Quebec and Nova Scotia. As at July 12, 2021, all of the Company's boutiques had reopened.

In accordance with the relevant government and health authority guidance, the Company continues to operate its distribution centers and boutiques under stringent health and safety protocols that include occupancy restrictions, physical distancing and enhanced cleaning programs.

During the year ended February 27, 2022, the Company recognized payroll subsidies of $1.8 million (February 28, 2021 – $32.6 million), which were recorded as a reduction in the associated eligible salaries and wage costs, recognized in cost of goods sold and selling, general and administrative expenses in the consolidated statements of operations. During the year ended February 27, 2022, the Company also recognized rent subsidies of $1.2 million (February 28, 2021 - $1.1 million) which were recorded as a reduction in boutique occupancy costs in cost of goods sold in the consolidated statements of operations. As at February 27, 2022, the Company had $2.1 million (February 28, 2021 - $5.0 million) of payroll subsidies and $nil (February 28, 2021 - $1.1 million) of rent subsidies receivable recorded in prepaid expenses and other current assets.

During the year ended February 27, 2022, the Company recognized $5.6 million (February 28, 2021 - $17.5 million) of rent and occupancy concessions in cost of goods sold and selling, general and administrative expenses in the consolidated statement of operations.

The CARES Act in the United States further allows the immediate expensing of qualified leasehold improvement property purchased after December 31, 2017 and the carry back of net operating losses to prior years. These two measures resulted in the Company recognizing an income taxes receivable of $4.5 million, to be applied to income taxes payable in prior periods and a decrease to total income tax expense of $nil (February 28, 2021 - $2.0 million).

The Company's operations continue to be impacted by the ongoing global challenges related to the COVID-19 pandemic. The extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted. Future closures of the Company's boutiques could result in the reassessment of impairment of property and equipment, definite and indefinite life intangible assets, right-of-use assets and goodwill, and a provision to the net realizable value of the Company's inventories.

(2)

(in thousands of Canadian dollars, unless otherwise noted)

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Aritzia LP and CYC Design Corporation, domiciled in Canada, and United States of Aritzia Inc., domiciled in the U.S. All intercompany transactions and balances are eliminated on consolidation and consistent accounting policies are applied across the Company.

Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. The Company assesses whether the set of assets acquired includes an input and substantive process and whether the acquired set of assets has the ability to produce outputs.

The consideration transferred (including cash and contingent consideration) in the acquisition is measured at fair value, as are the identifiable net assets acquired at the date of the acquisition. The fair value of the purchase consideration is allocated to the fair values of the tangible and intangible assets acquired and liabilities assumed.

Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit and loss.

Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree over the net fair value amount of the identifiable assets acquired and the liabilities assumed, all measured as at the acquisition date.

The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair values of property and equipment acquired in a business combination are based on either the cost approach or market approach, as applicable. Under the cost approach, the current replacement cost or reproduction cost for each major asset is calculated. Under the market approach, the market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly.

The fair values of brands acquired in a business combination are determined using a relief from royalty method using a discounted cash flow model. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases. The fair values of non-compete agreements acquired in a business combination are determined using a with-

(in thousands of Canadian dollars, unless otherwise noted)

and-without approach based on the difference between two discounted cash flow models and consideration for likelihood of competition.

The purchase price allocation may be provisional during a measurement period of up to one year to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. Measurement period adjustments are recognized in the period in which the adjustment amount is determined and adjustments to fair values and allocations are retrospectively adjusted.

Transaction costs associated with the acquisition are expensed as incurred.

Non-controlling interest in exchangeable shares liability

Non-controlling interest in exchangeable shares liability represents exchangeable shares that can be put back to the Company's subsidiary at the option of the holder and are measured initially at its fair value at the date of acquisition. Subsequent changes in the fair value are recognized in profit and loss. The portion of the change in fair value attributable to changes in the Company's own credit risk is recognized in other comprehensive income.

Functional and presentation currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Translation of other foreign currency transactions and balances

Foreign currency transactions are translated into the functional currencies using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date exchange rates, are recognised in profit or loss. Other non-monetary consolidated statement of financial position items denominated in foreign currencies are translated into the functional currencies using the exchange rates at the date of the transactions.

U.S. operations

Assets and liabilities of the Company's U.S. operations have a functional currency of U.S. dollars and are translated into Canadian dollars at the exchange rate in effect at the reporting date. Revenues and expenses are translated into Canadian dollars at average exchange rates during the reporting period. The resulting translation adjustments are included in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and investments in money market instruments with an original maturity of less than three months. As at February 27, 2022 and February 28, 2021, the Company had no investments held in money market instruments classified as cash equivalents.

(in thousands of Canadian dollars, unless otherwise noted)

Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise of equity derivative contracts, prepaid expenses, deposits, packaging supplies, payroll subsidies and rent subsidies.

Inventory

Inventory, consisting of finished goods and raw materials, is carried at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres including freight and duty.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, the Company accrues for inventory shrinkage for lost or stolen items based on historical trends.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Company capitalizes borrowing costs incurred as part of the financing of the acquisition and construction of property and equipment. Maintenance and repairs are expensed as incurred. Cost and related accumulated depreciation for property and equipment are removed from the accounts upon their sale or disposition and the resulting gain or loss is reflected in the results of operations.

Depreciation is recognized in net income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, commencing when the assets are ready for use, as follows:

Computer hardware and software	3 - 7 years
Furniture and equipment	3 - 10 years
Leasehold improvements	shorter of lease term and estimated useful life

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Depreciation expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expenses.

Intangible assets

Intangible assets are recorded at cost and include trade names, trademarks, non-competition agreements and internally developed computer software.

(in thousands of Canadian dollars, unless otherwise noted)

Costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset.

The Company capitalizes, in intangible assets, direct costs incurred during the application and infrastructure development stages of developing computer software for internal use. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives, are expensed as incurred.

The Aritzia and Reigning Champ trade names have been determined to have an indefinite life and are not amortized. The remaining intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Other trade names and trademarks	term of registration or up to a maximum of 20 years
Non-compete agreements	5 years
Computer software	3 - 7 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Amortization expense is recorded in the consolidated statements of operations in selling, general and administrative expenses.

Impairment of assets

Assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the cash generating units ("CGU") fair value less costs of disposal and value in use. For the purposes of non-boutique related non-financial assets, CGUs are grouped at the lowest level that the assets are monitored for internal management purposes and for which largely independent cash flows are generated. Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed and in-substance fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

(in thousands of Canadian dollars, unless otherwise noted)

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments, or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

Lease payments for assets that are exempt through the short-term exemption and variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities and are recognized in cost of goods sold and selling, general and administrative expenses as incurred. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the related lease terms. Proceeds from lease incentives are recognized as financing cash flows in the consolidated statement of cash flows.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company may be required to settle. The Company's asset retirement obligations are primarily associated with leasehold improvements that the Company is contractually obligated to remove at the end of a lease. At inception of a lease with such conditions, the Company recognizes the best estimate of the fair value of the liability, with a corresponding increase in the carrying value of the related asset. The liability, recorded in other non-current liabilities, is estimated based on a number of assumptions requiring management's judgment, including boutique closing costs, cost inflation rates and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated over its useful life. Upon satisfaction of the asset retirement obligation conditions, differences between the recorded asset retirement obligation liability and the actual retirement costs incurred are recognized as a gain or loss in the consolidated statements of operations.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The Company's financial assets, which includes cash and cash

(in thousands of Canadian dollars, unless otherwise noted)

equivalents and accounts receivable, are classified as amortized cost. The Company’s financial liabilities, which includes accounts payable and accrued liabilities, lease liabilities and long term debt, are classified as amortized cost. The Company’s equity derivative contracts, contingent consideration and non-controlling interest in exchangeable shares liability are classified as fair value through profit or loss (“FVTPL”).

Financial assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method if both of the following conditions are met and they are not designated as FVTPL:

(i) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets not classified as amortized cost as described above are measured at FVTPL.

Financial liabilities are initially measured at fair value, less any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method.

Changes of the fair value of financial instruments classified as FVTPL are recorded in profit or loss in the period in which they arise. Gains and losses on financial instruments classified at amortized cost are recognized in profit or loss when the financial instruments are derecognized, modified or impaired.

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company’s own assumptions about market participant assumptions using the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(in thousands of Canadian dollars, unless otherwise noted)

Share capital

Multiple voting shares and subordinate voting shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax, from the proceeds of the issuance. When share capital recognized as equity is re-purchased for cancellation, the amount of consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

Revenue recognition

The Company recognizes revenue when control of the goods or services has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur.

Net revenue reflects the Company's 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 the consideration received, net of discounts and an estimated allowance for returns. Shipping fees charged to customers are recorded as revenue.

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 Company recognizes the related revenue. The Company estimates gift card breakage, to the extent there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

Cost of goods sold

Cost of goods sold includes inventory and product-related costs, occupancy costs, and depreciation expense for the Company's boutiques and distribution centres.

Selling, general and administrative

Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues and general and administrative operating expenses that are primarily fixed. Selling, general and administrative expenses also include depreciation and amortization expense for all support office assets and intangible assets.

(in thousands of Canadian dollars, unless otherwise noted)

Employee benefits

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses, are expensed as the related service is provided.

Termination benefits are recognized as an expense when the Company has demonstrated commitment, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Government grants

The Company recognizes government grants when there is reasonable assurance that the Company has met the requirements of the grant program, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset.

Income tax expense

Current and deferred income taxes are recognized in the Company's net income, except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income.

Current taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable income or loss. In addition, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liability, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(in thousands of Canadian dollars, unless otherwise noted)

Stock-based compensation expense

Stock Option Plans

Prior to the Company's initial public offering (the "IPO") the Company had a legacy equity incentive plan (the "Legacy Plan") pursuant to which it had granted time-based and performance-based stock options to directors, employees, consultants and advisors.

Concurrent with the IPO, the Company implemented a long-term incentive plan (the "Omnibus Plan"), pursuant to which it can grant time-based stock options to acquire subordinate voting shares to directors, executive officers, employees and consultants.

For awards with service conditions that are subject to graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition, the total amount of compensation expense to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest.

Deferred Share Units and Restricted Share Units

The Company has a Director Deferred Share Unit ("DSU") Program for non-employee board members and a Restricted Share Unit ("RSU") Program for employees and consultants. DSUs and RSUs are grants of notional subordinate voting shares that are redeemable for cash based on the market value of the Company's shares and are non-dilutive to shareholders. The cost of the service received as consideration is initially measured based on the market value of the Company's shares at the date of grant. The grant-date fair value is recognized as stock-based compensation expense with a corresponding increase recorded in other liabilities. DSUs and RSUs are remeasured at each reporting date based on the market value of the Company's shares with changes in fair value recognized as stock-based compensation expense for the proportion of the service that has been rendered at that date.

Performance Share Units

The Company has a Performance Share Unit ("PSU") Program for senior management. A PSU represents the right to receive a subordinated voting share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent at the market value of a share at the vesting date or a combination of cash and shares at the discretion of the Board. PSUs vest on the third anniversary of the award date and are earned only if certain performance targets are achieved and can decrease or increase if minimum or maximum performance targets are achieved.

Net income per share

Basic net income per share is calculated by dividing the net income for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year.

(in thousands of Canadian dollars, unless otherwise noted)

Diluted net income per share is calculated by dividing the net income for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year, plus the weighted average number of subordinate voting shares that would be issued on exercise of dilutive options granted, as calculated under the treasury stock method, and the dilutive impact of PSUs granted and the non-controlling interest in exchangeable shares liability.

3 Significant new accounting standards

Standards issued but not yet adopted

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

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

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

(in thousands of Canadian dollars, unless otherwise noted)

Financial Instruments (Amendments to IFRS 9)

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

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

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the potential impact of these amendments.

4 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.

Significant judgments and estimates made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- Return allowances, which requires the Company to utilize estimates of the return rate of merchandise based on historical return patterns.

- The provision recorded to remeasure inventories based on the lower of cost and net realizable value (note 6), which requires the Company to utilize estimates related to product quality, damages, future demand, selling prices, and market conditions. The Company records a write-down if the cost exceeds net realizable value of inventory, based on the above factors.

(in thousands of Canadian dollars, unless otherwise noted)

- Goodwill and indefinite life intangible asset impairment testing, which requires management to make estimates in the impairment testing model. On an annual basis, the Company tests 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 (note 8). The Company uses judgment in determining the grouping of assets to identify its 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.

- Incremental borrowing rate used for calculating lease liabilities and right-of-use-assets. The Company estimates the incremental borrowing rate of each leased asset as the rate of interest that the Company 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 (note 9).

- Lease terms, which requires judgment on whether the Company is reasonably certain, at the lease commencement date, it will exercise available renewal or termination options, and thus include such options in the lease terms (note 9). The Company considers all facts and circumstances that create an economic incentive to exercise a renewal or termination option.

- The Company uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. The Company may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Assumptions and estimates are used to determine cash flow projections, including the period of future benefit, future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

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

5 Acquisition of CYC Design Corporation

On June 25, 2021, the Company acquired 75% of the common shares in CYC Design Corporation (“CYC”), a leading designer and manufacturer of premium athletic wear, Reigning Champ. This acquisition will accelerate the Company’s product expansion into men’s wear. The results of operations, financial position, and cash flows of CYC have been included in the Company’s consolidated financial statements since the date of acquisition.

Total aggregate consideration for the acquisition of the 75% of the common shares was $46.1 million which consisted of cash consideration of $32.9 million and future cash consideration (the “contingent consideration”). The contingent consideration is based on the future operating results of CYC during the measurement period ending January 31, 2023, and payable in two instalments in May 2022 and May 2023. As at the date of acquisition, the Company recorded a contingent consideration liability of $13.2 million and was based on its expected outcome at the end of the earnout period (note 13).

(in thousands of Canadian dollars, unless otherwise noted)

As part of the acquisition, the remaining shareholders of CYC exchanged their common shares for exchangeable shares. The exchangeable shares can be put back to CYC at specified future dates in May to August in each of 2024, 2025 and 2026, for a formula-based amount dependent on the future performance of CYC in exchange for shares of the Company, resulting in a liability (note 13). The Company also has the ability to call the exchangeable shares in August 2026. The formula-based amount is subject to a capped enterprise value of CYC. As the exchangeable shares are a liability, the Company has treated the acquisition as an acquisition of a 100% interest in the entity, with the non-controlling interest in exchangeable shares liability included in the fair value of the acquired assets and liabilities.

The acquisition date fair values are as follows:

		As at June 25, 2021
Fair value of consideration		
Cash paid	**$**	**32,878**
Contingent consideration (note 13)		**13,237**
	$	**46,115**
Assets acquired		
Cash	**$**	**323**
Accounts receivable		**1,244**
Inventory		**8,600**
Prepaid expenses and other current assets		**303**
Property and equipment		**2,670**
Intangible assets:		
Brand		**26,200**
Non-compete agreements		**1,200**
Goodwill		**47,164**
Right-of-use assets		**8,264**
	$	**95,968**
Liabilities assumed		
Accounts payable and accrued liabilities	**$**	**1,170**
Income taxes payable		**1,081**
Deferred revenue		**208**
Lease liabilities		**6,264**
Deferred tax liabilities		**7,630**
	$	**16,353**
Net assets acquired	**$**	**79,615**
Non-controlling interest in exchangeable shares liability (note 13)		**(33,500)**
	$	**46,115**

Goodwill is attributable to the expected synergies to be achieved from integrating CYC into the Company's existing business. Goodwill is non-deductible for tax purposes.

(in thousands of Canadian dollars, unless otherwise noted)

For the period from the date of acquisition to February 27, 2022, CYC contributed revenue of $17.1 million and net income of $0.4 million. If the acquisition had occurred on March 1, 2021, management estimates that CYC's revenue would have been $25.3 million and net income would have been $0.8 million for the year ended February 27, 2022.

In connection with the acquisition, during the year ended February 27, 2022, the Company recognized $2.6 million in acquisition-related costs which were expensed as incurred. These costs are included in other expense (income) and include transaction costs such as fees for advisory and professional services.

6 Inventory

		February 27, 2022		February 28, 2021
Finished goods	**$**	**131,954**	$	120,182
Finished goods in transit		**69,656**		48,888
Raw materials		**6,515**		2,751
Inventory	**$**	**208,125**	$	171,821

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of $8.3 million for the year ended February 27, 2022 (February 28, 2021 - $4.8 million). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the revolving credit facility (note 12).

As part of the CYC acquisition on June 25, 2021, the Company acquired inventory with a fair value of $8.6 million at the time of acquisition. During the year ended February 27, 2022, the Company also recognized $1.9 million relating to the purchase price fair value adjustment in cost of goods sold for inventory sold.

(in thousands of Canadian dollars, unless otherwise noted)

7 Property and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware	Computer software	Construction-in-progress	Total
Cost						
Balance, March 1, 2020	$ 233,099	$ 56,563	$ 18,039	$ 6,954	$ 15,655	$ 330,310
Additions	24,034	7,851	2,510	225	10,888	45,508
Transfers from construction-in-progress	11,758	1,333	602	905	(14,598)	-
Transfer to intangibles	-	-	-	(889)	-	(889)
Dispositions	(10,185)	(4,143)	(2,595)	(382)	-	(17,305)
Foreign exchange	(5,630)	(1,094)	(188)	(17)	(380)	(7,309)
Balance, February 28, 2021	$ 253,076	$ 60,510	$ 18,368	$ 6,796	$ 11,565	$ 350,315
Additions	**38,091**	**10,185**	**4,059**	**773**	**18,443**	**71,551**
Additions related to CYC acquisition (note 5)	**2,083**	**500**	**77**	**10**	**-**	**2,670**
Transfers from construction-in-progress	**9,898**	**1,267**	**169**	**-**	**(11,334)**	**-**
Dispositions	**(7,481)**	**(2,734)**	**(740)**	**(288)**	**-**	**(11,243)**
Foreign exchange	**535**	**103**	**17**	**-**	**46**	**701**
Balance, February 27, 2022	**$ 296,202**	**$ 69,831**	**$ 21,950**	**$ 7,291**	**$ 18,720**	**$ 413,994**
Accumulated depreciation						
Balance, March 1, 2020	$ 100,145	$ 27,811	$ 12,435	$ 5,282	$ -	$ 145,673
Depreciation	23,919	7,584	3,225	811	-	35,539
Dispositions	(10,185)	(4,143)	(2,595)	(382)	-	(17,305)
Foreign exchange	(2,420)	(583)	(139)	(18)	-	(3,160)
Balance, February 28, 2021	$ 111,459	$ 30,669	$ 12,926	$ 5,693	$ -	$ 160,747
Depreciation	**27,982**	**8,406**	**3,631**	**735**	**-**	**40,754**
Dispositions	**(7,481)**	**(2,734)**	**(740)**	**(288)**	**-**	**(11,243)**
Foreign exchange	**418**	**103**	**25**	**-**	**-**	**546**
Balance, February 27, 2022	**$ 132,378**	**$ 36,444**	**$ 15,842**	**$ 6,140**	**$ -**	**$ 190,804**
Net carrying value						
Balance, February 28, 2021	$ 141,617	$ 29,841	$ 5,442	$ 1,103	$ 11,565	$ 189,568
Balance, February 27, 2022	**$ 163,824**	**$ 33,387**	**$ 6,108**	**$ 1,151**	**$ 18,720**	**$ 223,190**

Construction-in-progress primarily includes build costs for boutiques not yet opened and distribution center projects not put into use.

(in thousands of Canadian dollars, unless otherwise noted)

8 Goodwill and intangible assets

	Indefinite life trade name	Definite life trade name	Trademarks	Computer software	Non-compete agreements	Construction-in-progress	Total Intangible assets	Goodwill
Cost								
Balance, March 1, 2020	$ 46,092	$ 17,175	$ 2,009	$ 32,209	$ -	$ 2,070	$ 99,555	$ 151,682
Additions	-	-	-	625	-	-	625	-
Transfers from construction-in-progress	-	-	-	2,070	-	(2,070)	-	-
Transfers from property, plant and equipment	-	-	-	889	-	-	889	-
Dispositions	-	-	-	(471)	-	-	(471)	-
Balance, February 28, 2021	$ 46,092	$ 17,175	$ 2,009	$ 35,322	$ -	$ -	$ 100,598	$ 151,682
Additions	**-**	**-**	**-**	**90**	**-**	**1,674**	**1,764**	**-**
Additions related to CYC acquisition (note 5)	**26,200**	**-**	**-**	**-**	**1,200**	**-**	**27,400**	**47,164**
Dispositions	**-**	**-**	**-**	**(56)**	**-**	**-**	**(56)**	**-**
Balance, February 27, 2022	**$ 72,292**	**$ 17,175**	**$ 2,009**	**$ 35,356**	**$ 1,200**	**$ 1,674**	**$ 129,706**	**$ 198,846**
Accumulated amortization								
Balance, March 1, 2020	$ -	$ 11,553	$ 1,709	$ 22,426	$ -	$ -	$ 35,688	$ -
Amortization	-	656	23	2,653	-	-	3,332	-
Dispositions	-	-	-	(471)	-	-	(471)	-
Balance, February 28, 2021	$ -	$ 12,209	$ 1,732	$ 24,608	$ -	$ -	$ 38,549	$ -
Amortization	**-**	**656**	**28**	**2,971**	**160**	**-**	**3,815**	**-**
Dispositions	**-**	**-**	**-**	**(56)**	**-**	**-**	**(56)**	**-**
Balance, February 27, 2022	**$ -**	**$ 12,865**	**$ 1,760**	**$ 27,523**	**$ 160**	**$ -**	**$ 42,308**	**$ -**
Net carrying value								
Balance, February 28, 2021	$ 46,092	$ 4,966	$ 277	$ 10,714	$ -	$ -	$ 62,049	$ 151,682
Balance, February 27, 2022	**$ 72,292**	**$ 4,310**	**$ 249**	**$ 7,833**	**$ 1,040**	**$ 1,674**	**$ 87,398**	**$ 198,846**

Construction-in-progress includes internally generated computer software not put into use.

Until December 19, 2005, the operations of the Company were owned by a private, closely held Canadian company. On December 19, 2005, Berkshire purchased the majority of the operations through a newly created company, Aritzia Capital Corporation (renamed to Aritzia Inc.). The acquisition transaction was treated as a business combination and the identified assets and liabilities that were acquired were measured at their acquisition date fair values, including goodwill and the indefinite life trade name.

On June 25, 2021, the Company acquired 75% of the common shares in CYC Design Corporation, a leading designer and manufacturer of premium athletic wear. The acquisition transaction was treated as a business combination which resulted in $47.2 million recognized as goodwill and $26.2 million allocated to the CYC brand name, known as Reigning Champ (note 5).

(in thousands of Canadian dollars, unless otherwise noted)

Management has grouped goodwill that arose on the CYC acquisition with the existing goodwill, based on the expected future benefits to be derived. Goodwill is monitored corporately at the level of the Company's single operating segment. In assessing goodwill for impairment, the Company compared the aggregate recoverable amount of its operating segment to its respective carrying amount. The recoverable amount has been determined based on the higher of the value in use and fair value less costs of disposal. The Company performed its annual impairment test of goodwill on the first day of the fourth quarter in fiscal 2022 and fiscal 2021.

The recoverable amount of goodwill was based on value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the group of CGUs. Specific cash flow estimates were projected based on historical operating results, expected annual growth assumptions and a terminal growth rate to extrapolate the cash flow projections. The growth rate applied to the terminal values is based on the Bank of Canada's target inflation rate. A pre-tax discount rate of 8.25% and a terminal growth assumption rate of 2.0% were used in the model. A decrease in the growth assumptions by 1.00% would not cause the carrying amount to exceed the estimated recoverable amount. An increase of the pre-tax discount rate by 1.00% would not cause the carrying amount to exceed the estimated recoverable amount.

The Company's indefinite life trade names include Aritzia and Reigning Champ (note 5). As there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows, these intangible assets are considered to have indefinite useful lives. Indefinite life trade names were tested for impairment on the first day of the fourth quarter in fiscal 2022 and fiscal 2021 using the relief from royalty method to value the brands at the impairment testing date.

As at February 27, 2022 and February 28, 2021, management has determined that there was no impairment of goodwill or the indefinite life trade names.

9 Leases

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

(in thousands of Canadian dollars, unless otherwise noted)

The following table reconciles the change in right-of-use assets for the year ended February 27, 2022:

		Right-of-use assets
Cost		
Balance, February 28, 2021	$	484,012
Additions, net of lease incentives received		68,066
Fair value adjustment on CYC leases (note 5)		2,000
Modifications		(6,879)
Foreign exchange		2,579
Balance, February 27, 2022	**$**	**549,778**
Accumulated depreciation		
Balance, February 28, 2021	$	120,595
Depreciation		67,702
Amortization of fair value adjustment on CYC leases		356
Modifications		(2,787)
Foreign exchange		1,025
Balance, February 27, 2022	**$**	**186,891**
Net carrying value		
Balance, February 28, 2021	**$**	**363,417**
Balance, February 27, 2022	**$**	**362,887**

The following table reconciles the change in lease liabilities for the year ended February 27, 2022:

		Lease liabilities
Balance, February 28, 2021	$	494,832
Additions		82,143
Interest expense on lease liabilities (note 18)		22,346
Repayment of interest and principal on lease liabilities		(89,428)
Rent concessions applicable to lease liabilities		(3,800)
Modifications		(4,812)
Foreign exchange		2,510
Balance, February 27, 2022	$	503,791
Current portion of lease liabilities		86,724
Long-term portion of lease liabilities		417,067
Lease liabilities	$	503,791

During the year ended February 27, 2022, the Company expensed $14.4 million of variable lease payments, which are not included in the lease liabilities (February 28, 2021 - $2.9 million).

(in thousands of Canadian dollars, unless otherwise noted)

During the year ended February 27, 2022, the Company expensed $1.7 million of lease payments relating to short-term or low value leases for which the recognition exemption was applied and these payments were not included in the lease liabilities (February 28, 2021 – 1.0 million).

The future undiscounted minimum lease payments for the Company's leases for its premises, excluding other occupancy charges and variable lease payments, are as follows:

Less than 1 year	**$**	**106,371**
Between 1 and 5 years		**333,332**
More than 5 years		**135,408**
Future undiscounted minimum lease payments	**$**	**575,111**

As at February 27, 2022, the Company had future undiscounted minimum lease payments of $122.6 million for leases committed to but not yet commenced (February 28, 2021 - $53.5 million).

10 Accounts payable and accrued liabilities

		February 27, 2022		**February 28, 2021**
Trade accounts payable	**$**	**124,506**	$	96,540
Other non-trade payables		**12,469**		11,521
Employee benefits payable		**38,494**		23,040
Current portion of Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 15)		**3,875**		792
Accounts payable and accrued liabilities	**$**	**179,344**	$	131,893

11 Other non-current liabilities

		February 27, 2022		**February 28, 2021**
Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 15)	**$**	**15,736**	$	6,930
Deferred lease inducements		**6,250**		6,920
Asset retirement obligations		**373**		357
Deferred payroll taxes		**-**		852
Other non-current liabilities	**$**	**22,359**	$	15,059

12 Bank indebtedness and long-term debt

On July 13, 2021, the Company refinanced its term loan and revolving credit facility, extending the term to July 13, 2025. As part of the refinancing, the Company repaid its term loan of $75.0 million and increased its existing revolving credit facility from $100.0 million to $175.0 million. The Company incurred $0.7 million of

(in thousands of Canadian dollars, unless otherwise noted)

financing fees as part of the refinancing during the year ended February 27, 2022. Fees paid on the establishment of revolving credit facilities are deferred and recorded in other assets as a prepayment for liquidity services and amortized over the term of the facility.

The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.50% and 2.50% (February 28, 2021 – 0.50% and 2.50%). Up to $10.0 million of the facility can be drawn upon by way of a swingline loan. As of February 27, 2022 and February 28, 2021, no advances were made under the revolving credit facility.

During the year ended February 27, 2022 the Company incurred $0.6 million of interest (February 28, 2021 - $3.2 million), at a weighted average rate of 2.21% (February 28, 2021 – 2.53%).

The Company also has letters of credit facilities of $75.0 million, secured pari passu with the revolving credit facility. The interest rate for the letters of credit is between 1.00% and 2.50%. As at February 27, 2022, the amount available under these facilities was reduced to $31.5 million (February 28, 2021 - $33.7 million) by certain open letters of credit (note 21(b)).

The revolving credit facility is collateralized by a first priority lien on all property and equipment, leased real property interests and inventory. In addition, the Company is required to maintain certain financial covenants. As at February 27, 2022 and February 28, 2021, the Company was in compliance with all financial covenants.

13 Financial instruments

Fair value of financial instruments

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy and accounting classification:

			As at February 27, 2022	
	Classification	**Fair Value Level**	**Carrying Value**	**Fair Value**
Financial assets				
Cash and cash equivalents	Amortized cost	1	**$ 265,245**	**$ 265,245**
Accounts receivable	Amortized cost	2	**8,147**	**8,147**
Equity derivative contracts	FVTPL	2	**15,561**	**15,561**
Financial liabilities				
Accounts payable and accrued liabilities	Amortized cost	2	**$ 179,344**	**$ 179,344**
Lease liabilities	Amortized cost	2	**503,791**	**503,791**
Contingent consideration	FVTPL	3	**13,237**	**13,237**
Non-controlling interest in exchangeable shares liability	FVTPL	3	**35,500**	**35,500**

(in thousands of Canadian dollars, unless otherwise noted)

			As at February 28, 2021	
	Classification	Fair Value Level	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	Amortized cost	1	$ 149,147	$ 149,147
Accounts receivable	Amortized cost	2	6,202	6,202
Equity derivative contracts	FVTPL	2	4,369	4,369
Financial liabilities				
Accounts payable and accrued liabilities	Amortized cost	2	$ 131,893	$ 131,893
Lease liabilities	Amortized cost	2	494,832	494,832
Long-term debt (net of deferred financing fees)	Amortized cost	2	74,855	75,000

There were no transfers between the levels of the fair value hierarchy for the years ended February 27, 2022 and February 28, 2021.

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments.

Equity derivative contracts

The Company has equity derivative contracts (total return swaps) to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes. During the year ended February 27, 2022, the Company recorded an unrealized gain of $11.2 million for the change in fair value for these contracts in the consolidated statements of operations in other expense (income) (February 28, 2021 - $3.7 million). As at February 27, 2022, the equity derivative contracts had a positive fair value of $15.6 million (February 28, 2021 – $4.4 million) which is recorded in prepaid expenses and other current assets in the consolidated statements of financial position.

Contingent consideration

The Company has a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at the acquisition date of CYC on June 25, 2021, the Company recorded a contingent consideration liability of $13.2 million (note 5). During the period from the date of acquisition to February 27, 2022, there was no change in fair value of the contingent consideration.

Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders ("exchangeable shareholders") in exchange for their 25% share of the total common shares at acquisition. The exchangeable shares allow the holders to put back their shares to CYC in the following periods: one-third from May 1, 2024 to

(in thousands of Canadian dollars, unless otherwise noted)

August 31, 2024, one-third from May 1, 2025 to August 31, 2025, and one-third from May 1, 2026 to August 31, 2026 (the “put options”). In the event that the exchangeable shareholders do not exercise the put options by August 31, 2026, the Company has an open-ended call option, but not an obligation, to purchase all of the shares held by the exchangeable shareholders (the “call option”).

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

The fair value of the non-controlling interest in exchangeable shares liability is estimated initially, and on a recurring basis, based on a Monte Carlo simulation that has been used to simulate the potential fluctuations in CYC’s operating results over the period to exercise. The fair value of the call option is embedded in the fair value of the non-controlling interest in exchangeable share liability. The cash flows associated with the modelled operating results are then discounted back to the valuation date.

The fair value of the non-controlling interest in exchangeable shares liability was estimated based on the Monte Carlo simulation using the following assumptions:

	February 27, 2022	June 25, 2021
Initial business enterprise value (100%)	**$63.0 million**	$63.0 million
Gross profit expected volatility	**20.0%**	20.0%
Gross profit discount rate	**13.0%**	12.5%
Expected life	**4.5 years**	5.2 years

A 1.0% increase (decrease) in the gross profit discount rate would result in a $1.0 million decrease and $0.5 million increase, respectively, in the amount of the non-controlling interest in exchangeable shares liability.

A 5.0% increase (decrease) in gross profit would result in a $1.0 million increase and $1.5 million decrease, respectively, in the amount of the non-controlling interest in exchangeable shares liability.

As at the acquisition date of CYC on June 25, 2021, the fair value of the non-controlling interest in exchangeable shares liability was $33.5 million. During the period from the date of acquisition to February 27, 2022, the change in the fair value of the non-controlling interest in exchangeable shares liability was $2.0 million, and was recorded in other expense (income).

14 Share capital

On May 13, 2021, the Company announced a secondary offering (“Secondary Offering”) on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and or controlled directly or indirectly by Brian Hill, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the “Selling Shareholders”). The Secondary Offering of 3,040,700 subordinate voting shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate

(in thousands of Canadian dollars, unless otherwise noted)

voting share and was completed on June 1, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the year ended February 27, 2022, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the Secondary Offering of $0.5 million were paid by the Company.

On January 12, 2022, the Company announced the commencement of a normal course issuer bid (the “NCIB”) to repurchase and cancel up to 3,732,725 of its subordinate voting shares, representing approximately 5% of the public float of 74,654,507, over the 12-month period commencing January 17, 2022 and ending January 16, 2023. All repurchases are made through the facilities of the Toronto Stock Exchange and are done at market prices. The amounts paid above the average book value of the subordinate voting shares are charged to retained earnings. During the year ended February 27, 2022, the Company repurchased a total of 164,200 subordinate voting shares for cancellation at an average price of $54.79 per subordinate voting share.

As at February 27, 2022, there were 21,937,349 multiple voting shares and 89,181,069 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at February 27, 2022. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

15 Stock options

The Company has granted stock options under the Legacy Plan and the Omnibus Plan.

Legacy Plan

Following completion of the IPO in October 2016, no additional options will be granted under the Legacy Plan. The options vest annually pro rata on the anniversary of the grant date over a period of five years. All issued options expire after 10 to 15 years from the date granted.

Transactions for stock options granted under the Legacy Plan for the years ended on February 27, 2022 and February 28, 2021 were as follows:

	February 27, 2022			**February 28, 2021**		
	Number of stock options		**Weighted average exercise price**	**Number of stock options**		**Weighted average exercise price**
Outstanding, at beginning of year	**3,059,324**	**$**	**5.13**	3,624,983	$	4.85
Exercised	**(845,441)**		**4.56**	(565,659)		3.37
Outstanding, at end of year	**2,213,883**	**$**	**5.35**	3,059,324	$	5.13
Exercisable, at end of year	**2,213,883**	**$**	**5.35**	2,988,322	$	5.08

(in thousands of Canadian dollars, unless otherwise noted)

Information relating to stock options outstanding under the Legacy Plan and exercisable as at February 27, 2022 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price
$3.15 to $4.96	870,754	2.62	$4.16	870,754	2.62	$4.16
$4.97 to $6.44	680,955	3.40	$5.49	680,955	3.40	$5.49
$6.45 to $7.09	662,174	4.10	$6.76	662,174	4.10	$6.76
	2,213,883	3.30	$5.35	2,213,883	3.30	$5.35

Stock-based compensation expense in relation to the options under the Legacy Plan for the year ended February 27, 2022 was nil (February 28, 2021 – 0.5 million).

Omnibus Plan

The options vest annually pro rata on the anniversary of the grant date over a period of five years. All issued options expire after seven years from the date granted.

Transactions for stock options granted under the Omnibus Plan for the years ended February 27, 2022 and February 28, 2021 were as follows:

	February 27, 2022			February 28, 2021		
	Number of stock options		Weighted average exercise price	Number of stock options		Weighted average exercise price
Outstanding, at beginning of year	**5,208,278**	**$**	**16.12**	4,158,524	$	15.22
Granted	**1,777,158**		**35.21**	1,272,766		18.82
Exercised	**(483,534)**		**15.76**	(78,263)		14.73
Forfeited	**(121,403)**		**31.84**	(144,749)		14.87
Outstanding, at end of year	**6,380,499**	**$**	**21.16**	5,208,278	$	16.12
Exercisable, at end of year	**2,980,285**	**$**	**15.37**	2,363,805	$	15.13

(in thousands of Canadian dollars, unless otherwise noted)

Information relating to stock options outstanding under the Omnibus Plan and exercisable as at February 27, 2022 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price
$12.99 to $15.10	1,844,825	2.66	$13.83	1,432,294	2.67	$13.85
$15.11 to $18.51	2,570,924	3.61	$17.25	1,497,837	2.55	$16.65
$18.52 to $59.75	1,964,750	8.81	$33.18	50,154	5.14	$20.42
	6,380,499	4.94	$21.16	2,980,285	2.65	$15.37

The weighted average fair value of stock options estimated at the grant date for the year ended February 27, 2022 was $12.86 (February 28, 2021 - $6.68).
The weighted average fair value of the time-based stock options granted during the year ended February 27, 2022 was estimated at the date of grant based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	38.5% to 39.4%
Risk-free interest rate	0.9% to 1.6%
Expected life	5.0 to 7.0 years
Exercise price	$30.98 to $59.75

Stock-based compensation expense in relation to the options under the Omnibus Plan for the year ended February 27, 2022 was $10.1 million (February 28, 2021 - $5.5 million).

Director Deferred Share Unit (“DSU”) Program

Each eligible director receives a portion of his or her annual director retainer in DSUs. DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. The Company is required to record a liability for the potential future settlement of the DSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the DSUs was $7.6 million at February 27, 2022 (February 28, 2021 – $4.6 million), with an expense of $4.0 million for the year ended February 27, 2022 (February 28, 2021 - $2.2 million), recorded as stock-based compensation expense.

(in thousands of Canadian dollars, unless otherwise noted)

Transactions for DSUs granted for the years ended February 27, 2022 and February 28, 2021 were as follows:

	February 27, 2022 Number of DSUs	February 28, 2021 Number of DSUs
Outstanding, at beginning of year	**153,111**	108,959
Granted	**26,339**	44,152
Settled in cash	**(25,624)**	-
Outstanding, at end of year	**153,826**	153,111
Vested, at end of year	**153,826**	153,111

The weighted average fair value of the grant price for the year ended February 27, 2022 was $40.21 (February 28, 2021 - $21.73).

Restricted Share Unit ("RSU") Program

RSUs vest on the third anniversary of the award date and at that time, are redeemable for cash based on the market value of the Company's shares. The Company is required to record a liability for the potential future settlement of the RSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the RSUs was $12.0 million as at February 27, 2022 (February 28, 2021 – $3.1 million), with an expense of $10.9 million for the year ended February 27, 2022 (February 28, 2021 - $2.5 million), recorded as stock-based compensation expense.

Transactions for RSUs granted for the years ended February 27, 2022 and February 28, 2021 were as follows:

	February 27, 2022 Number of RSUs	February 28, 2021 Number of RSUs
Outstanding, at beginning of year	**349,046**	145,790
Granted	**364,324**	208,405
Settled in cash	**(37,247)**	-
Forfeited	**(23,277)**	(5,149)
Outstanding, at end of year	**652,846**	349,046
Vested, at end of year	**-**	-

The weighted average fair value of the grant price for the year ended February 27, 2022 was $36.96 (February 28, 2021 - $19.33).

(in thousands of Canadian dollars, unless otherwise noted)

Performance Share Unit ("PSU") Program

In January 2021, the Company implemented a Performance Share Unit ("PSU") Program. A PSU represents the right to receive a subordinated voting share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent at the market value of a share at the vesting date or a combination of cash and shares at the discretion of the Board. PSUs vest on the third anniversary of the award date and are earned only if certain performance targets are achieved and can decrease or increase if minimum or maximum performance targets are achieved.

Transactions for PSUs granted for the year ended February 27, 2022 were as follows:

	February 27, 2022 Number of PSUs
Outstanding, at beginning of year	-
Granted	96,836
Outstanding, at end of year	96,836
Vested, at end of year	-

The weighted average fair value of the grant price for the year ended February 27, 2022 was $36.94. Stock-based compensation expense in relation to the PSUs for the year ended February 27, 2022 was $1.1 million.

16 Net income per share

a) Basic

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

	February 27, 2022	February 28, 2021
Net income attributable to shareholders of the Company	$ 156,917	$ 19,227
Weighted average number of shares outstanding during the year (thousands)	110,401	109,487
Basic net income per share	$ 1.42	$ 0.18

(in thousands of Canadian dollars, unless otherwise noted)

b) Diluted

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

	February 27, 2022	February 28, 2021
Net income attributable to shareholders of the Company	**$ 156,917**	$ 19,227
Weighted average number of shares for net income per diluted share (thousands)	**115,784**	112,844
Net income per diluted share	**$ 1.36**	$ 0.17

For the year ended February 27, 2022, 737,577 stock options, along with the non-controlling interest in exchangeable shares liability were not included in the calculation of diluted net income per share as they were anti-dilutive (February 28, 2021 – 1,661,125).

17 Net Revenue

Net revenue disaggregated for eCommerce and boutiques was as follows:

	February 27, 2022	February 28, 2021
eCommerce revenue	**$ 564,340**	$ 425,929
Retail revenue	**930,290**	431,394
Net revenue	**$ 1,494,630**	$ 857,323

18 Expenses by nature

	February 27, 2022	February 28, 2021
Cost of goods sold		
Inventory and product-related costs and occupancy costs	**$ 740,219**	$ 450,018
Depreciation expense on right-of-use assets	**65,688**	64,405
Depreciation expense on property and equipment	**33,771**	30,395
Cost of goods sold	**$ 839,678**	$ 544,818

(in thousands of Canadian dollars, unless otherwise noted)

		February 27, 2022		February 28, 2021
Personnel expenses				
Salaries, wages and employee benefits	**$**	**316,877**	$	223,294
Stock-based compensation expense (note 15)		**26,131**		10,691
Government payroll subsidies (note 1)		**(1,834)**		(32,603)
Personnel expenses	**$**	**341,174**	$	201,382

		February 27, 2022		February 28, 2021
Finance expense				
Interest expense on lease liabilities (note 9)	**$**	**22,346**	$	23,671
Interest expense and banking fees		**2,555**		4,537
Amortization of deferred financing fees		**301**		212
Finance expense	**$**	**25,202**	$	28,420

		February 27, 2022		February 28, 2021
Other expense (income)				
Realized foreign exchange loss (gain)	**$**	**1,685**	$	(1,399)
Unrealized foreign exchange loss (gain)		**(2,839)**		3,149
Fair value adjustment of non-controlling interest in exchangeable shares liability		**2,000**		-
Unrealized gain on equity derivative contracts (note 13)		**(11,192)**		(3,701)
Acquisition costs of CYC (note 5)		**2,633**		-
Secondary Offering costs (note 14)		**530**		-
Interest and other income		**(1,600)**		(1,583)
Other expense (income)	**$**	**(8,783)**	$	(3,534)

(in thousands of Canadian dollars, unless otherwise noted)

19 Income taxes

a) Income tax expense

	February 27, 2022	February 28, 2021
Current period	**$ 73,746**	$ 8,752
Adjustments with respect to prior periods	**135**	(3,978)
Current tax expense	**$ 73,881**	$ 4,774
Origination and reversal of temporary differences	**$ (11,428)**	$ (776)
Adjustments with respect to prior periods	**(178)**	2,977
Changes in substantively enacted tax rates	**408**	-
Deferred tax (recovery) expense	**$ (11,198)**	$ 2,201
Income tax expense	**$ 62,683**	$ 6,975

b) Reconciliation of effective tax rate

The Company's income tax expense differs from that calculated by applying the combined substantively enacted Canadian federal and provincial statutory income tax rates for the years ended February 27, 2022 and February 28, 2021 of 26.6% and 26.7%, respectively, as follows:

	February 27, 2022	February 28, 2021
Income before income taxes	**$ 219,600**	$ 26,202
Expected income tax expense	**$ 58,414**	$ 6,991
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	**3,008**	1,609
Non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability	**540**	-
Foreign tax rate differences	**331**	38
Other	**390**	302
U.S. CARES Act (note 1)	**-**	(1,965)
Income tax expense	**$ 62,683**	$ 6,975

(32)

(in thousands of Canadian dollars, unless otherwise noted)

c) Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at February 27, 2022 and February 28, 2021 are as follows:

		February 27, 2022		February 28, 2021
Leases	**$**	**38,186**	$	35,772
Inventory		**14,837**		946
Deferred revenue		**3,553**		2,799
Accounts payable and accrued liabilities		**3,175**		4,079
Deferred lease incentives		**1,795**		2,075
Stock-based compensation		**1,075**		892
Financing and share issuance costs		**1,000**		901
Other		**702**		913
Net operating loss		**537**		186
Charitable contributions		**101**		385
Deferred tax assets	**$**	**64,961**	$	48,948
Property and equipment	**$**	**31,770**	$	26,627
Goodwill and intangible assets		**31,606**		24,478
Other		**33**		34
Deferred tax liabilities	**$**	**63,409**	$	51,139
Net deferred tax asset (liability)	**$**	**1,552**	$	(2,191)

The net change in deferred income tax liabilities is recorded as follows:

		February 27, 2022		February 28, 2021
Deferred tax (recovery) expense recorded in net income	**$**	**(11,198)**	$	2,201
Deferred tax liability related to CYC Design acquisition (note 5)		**7,630**		-
Deferred tax expense recorded in other comprehensive (loss) income		**(175)**		939
Net change in deferred tax liabilities	**$**	**(3,743)**	$	3,140

Of the deferred income tax balances, the Company expects $28.8 million of the deferred tax assets to be recovered within 12 months and $10.1 million of the deferred tax liabilities to be settled within 12 months.

The Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries; accordingly, the Company has not recorded a deferred tax liability on these earnings.

(in thousands of Canadian dollars, unless otherwise noted)

20 Segment information

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

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

	February 27, 2022	February 28, 2021
Canada	**$ 818,495**	$ 565,591
United States	**676,135**	291,732
Net revenue	**$ 1,494,630**	$ 857,323

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

	February 27, 2022	February 28, 2021
Canada	**$ 534,419**	$ 458,729
United States	**337,902**	307,987
Non-current, non-financial assets	**$ 872,321**	$ 766,716

21 Commitments and contingencies

a) Product purchase obligations

At February 27, 2022, the Company had purchase obligations of $155.9 million (February 28, 2021 - $69.8 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

b) Letters of credit

At February 27, 2022, the Company had open letters of credit of $43.5 million (February 28, 2021 - $41.3 million).

22 Related party transactions

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

(in thousands of Canadian dollars, unless otherwise noted)

The Company entered into the following transactions with related parties:

a) During the year ended February 27, 2022, the Company made payments of $4.9 million (February 28, 2021 - $4.2 million) for lease of premises and management services and $1.0 million (February 28, 2021 – $0.7 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. At February 27, 2022, $0.5 million was included in accounts payable and accrued liabilities (February 28, 2021 - $0.2 million). As at February 27, 2022, the outstanding balance of lease liabilities owed to these companies was $13.3 million (February 28, 2021 - $11.6 million). These transactions were measured at the amount of consideration established at market terms.

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

		February 27, 2022		February 28, 2021
Salaries, directors' fees and short-term benefits	**$**	**4,906**	$	3,860
Stock-based compensation expense		**8,685**		4,135
Key management compensation	**$**	**13,591**	$	7,995

23 Supplemental cash flow information

		February 27, 2022		February 28, 2021
Accounts receivable	**$**	**(3,107)**	$	(3,183)
Inventory		**(28,997)**		(79,508)
Prepaid expenses and other current assets		**1,913**		(9,332)
Other assets		**(1,538)**		1,265
Accounts payable and accrued liabilities		**32,899**		85,386
Deferred revenue		**17,553**		9,285
Net change in non-cash working capital balances	**$**	**18,723**	$	3,913
Accrued purchases of property and equipment	**$**	**9,196**	$	2,940
Accrued purchases of intangible assets		**172**		-

(in thousands of Canadian dollars, unless otherwise noted)

24 Financial risk management

The Company is exposed to a variety of financial risks in the normal course of operations including currency, equity price, credit and liquidity risk, as summarized below. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's consolidated financial performance.

Risk management is carried out under practices approved by the Company's Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of the Company's 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, equity price risk, credit risk and liquidity risk.

a) Market risk

Currency risk

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, monetary assets and liabilities denominated in a foreign currency, and net investments in foreign operations. The Company sources the majority of its raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. In addition, the Company operates boutiques in the United States. The Company's foreign exchange risk is primarily with respect to the U.S. dollar and the Company has limited exposure to other currencies. Foreign currency forward contracts are used from time to time to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

As at February 27, 2022, a $0.05 variation in the Canadian dollar against the U.S. dollar on net monetary accounts in U.S. dollars would, with all other variables being constant, have an approximate favourable (or unfavourable) impact of $0.1 million on net income.

Interest rate risk

The Company has a revolving credit facility which provides available borrowings in an amount up to $175.0 million. Because the revolving credit facility bears interest at a variable rate, the Company is exposed to market risks relating to changes in interest rates on outstanding balances. As at February 27, 2022, no advances were made under the revolving credit facility.

Equity price risk

The Company is 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 use equity derivative contracts (total return swaps) 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. As at February 27, 2022, an increase (or

(in thousands of Canadian dollars, unless otherwise noted)

decrease) in the Company's share price by $1.00 would result in an increase (or decrease) of $0.4 million in the fair value of the liability.

b) Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable, and derivative contracts used to hedge market risks. The Company offsets credit risks associated with cash and cash equivalents by depositing its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. The Company is exposed to credit risk on accounts receivable from its landlords for tenant allowances. To reduce this risk, the Company enters into leases with landlords with established credit history and, for certain leases, the Company may offset rent payments until accounts receivable are fully satisfied. The Company only enters into derivative contracts with major financial institutions.

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages liquidity risk through various means, including monitoring actual and projected cash flows, taking into account the seasonality of its revenue, income and working capital needs. The Company's revolving credit facility is used to maintain liquidity. As at February 27, 2022 and February 28, 2021, no advances were made under this revolving credit facility. As at February 27, 2022, the Company also has letter of credit facilities of $75.0 million (February 28, 2021 – $75.0 million), of which $43.5 million of letters of credit were outstanding (February 28, 2021 – $41.3 million).

The following table summarizes the undiscounted contractual maturities of the Company's financial liabilities as at February 27, 2022:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 179,344	$ -	$ -	$ 179,344
Lease liabilities	106,371	333,332	135,408	575,111
Contingent consideration	6,619	6,618	-	13,237
Non-controlling interest in exchangeable shares liability	-	39,300	-	39,300
Total	**$ 292,334**	**$ 379,250**	**$ 135,408**	**$ 806,992**

(in thousands of Canadian dollars, unless otherwise noted)

25 Capital management

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its growth;
- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business; and
- maintain a flexible capital structure that optimizes the cost of capital at an acceptable risk and preserves the ability to meet financial obligations.

The Company defines capital as its revolving credit facility and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new boutique additions, existing boutique expansion and renovation projects, and other infrastructure investments. The Company currently funds these requirements out of its internally generated cash flows.

The Company is subject to financial covenants and collateral pursuant to its revolving credit facility presented in note 12.

Board of Directors and Executive Officers

BOARD OF DIRECTORS

Aldo Bensadoun	Director, Member of Compensation and Nominating Committee
John Currie	Lead Independent Director, Chair of Audit Committee, Member of Compensation and Nominating Committee
Daniel Habashi	Director, Member of Environmental and Social Committee
Brian Hill	Founder, Chief Executive Officer and Chairman, Director
David Labistour	Director, Member of Audit Committee, Chair of Environmental and Social Committee
John Montalbano	Director, Member of Audit Committee, Member of Environmental and Social Committee
Marni Payne	Director, Chair of Compensation and Nominating Committee
Glen Senk	Director
Marcia Smith	Director, Member of Compensation and Nominating Committee, Member of Environmental and Social Committee
Jennifer Wong	President, Chief Operating Officer and Corporate Secretary, Director

EXECUTIVE OFFICERS

Brian Hill	Founder, Chief Executive Officer and Chairman
Jennifer Wong	President, Chief Operating Officer and Corporate Secretary
Todd Ingledew	Chief Financial Officer
Karen Kwan	Chief People and Culture Officer
Dave MacIver	Chief Information Officer
Pippa Morgan	Executive Vice President, Retail

Information for Shareholders

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ANNUAL SPECIAL AND SPECIAL MEETING

July 6, 2022
Virtual meeting details as outlined in Aritzia's Management Information Circular

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

STOCK EXCHANGE LISTING

Aritzia's subordinate voting shares are traded on the Toronto Stock Exchange (TSX) under the symbol ATZ

Aritzia's financial reports, regulatory filings and news releases are available at sedar.com and on our website at investors.aritzia.com.

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