ARITZIA

Annual Report 2023

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 Chief Executive Officer

Fiscal 2023 Highlights

Fiscal 2023 marked another exceptional year for Aritzia, as we continued to break records in Canada and the United States while building on our strong momentum and expanding into key markets. We delivered $2.2 billion in annual net revenue, with both Canada and the United States garnering over $1 billion in sales. Additionally, we are proud to report net revenue growth of over $700 million, building on our impressive growth of more than $600 million from the previous year. We achieved these outstanding results while navigating an extremely dynamic operating environment marked by substantial supply chain disruption and elevated cost pressures. Our world-class team did a phenomenal job managing these challenges to maximize sales and meet the unprecedented demand for our beautiful product – delivering the Everyday Luxury experience to more clients than ever before.

SALES CHANNEL HIGHLIGHTS

The exceptional performance across all of our channels and geographies drove net revenue growth of 47% in Fiscal 2023 and comparable sales growth of 28%. We continued to expand our boutique portfolio, with Retail net revenue growing to $1.4 billion, an increase of 53% from last year. eCommerce net revenue grew to $770 million, increasing 36% from last year and representing an impressive 50% CAGR over the past three years.

GEOGRAPHIC EXPANSION

Our increased investment in the United States has yielded impressive results, with the opening of 7 new boutiques in key markets such as Atlanta, Las Vegas and Miami. In Fiscal 2023, our United States business once again accelerated at an unprecedented pace as net revenue grew to $1.1 billion, a remarkable 66% increase from last year on top of a 132% increase two years ago. The United States now generates more than half of our total net revenue, and we continue to have a long runway of growth ahead of us.

eCOMMERCE GROWTH

This year we celebrated the 10-year anniversary of our eCommerce business. We have made significant progress toward creating a best-in-class experience for our new and loyal clients, and we remain committed to improving and elevating our online platform as we work to deliver eCommerce 2.0. In Fiscal 2023, we refined and enhanced our personalization strategies, inspiring our clients to discover our robust and diverse product assortment, while tailoring content to their individual style and preferences to keep them engaged in our Everyday Luxury offering.

INCREASED BRAND AWARENESS

Our robust social media and influencer strategies, coupled with our beautiful product and real estate expansion strategy, continued to drive increased awareness of the Aritzia brand and a record number of new clients. These market share gains further propelled us toward our goal of gaining widespread recognition across the United States, where our active client base increased more than 50% during the last fiscal year, on top of an increase of over 100% in the previous year.

MULTI-YEAR GROWTH PLAN

In October 2022, we announced our new multi-year growth plan, which builds upon our IPO goals that we exceeded in Fiscal 2022. Our plan is to achieve $3.5 to $3.8 billion in net revenue in Fiscal 2027, including more than doubling our US and eCommerce businesses and growing our retail channel by more than 50%. We also intend to grow adjusted EBITDA[1,2] as a percentage of net revenue to approximately 19% by the end of Fiscal 2027, as we benefit from geographic and channel mix shifts, scaling opportunities, improved efficiencies in our business and the strength of our brand. To reach these targets, we plan to continue investing in the infrastructure that will allow us to catch up with our recent, tremendous growth and capitalize the many opportunities that lie ahead.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

As Aritzia continues to focus on maximizing sales growth and driving margin expansion, we're also working to extend our sustainability programs and accelerate our progress across the value chain. In November 2022, we submitted a Letter of Intent to the Science Based Target initiative confirming our commitment to set targets for reducing greenhouse gas emissions within the next 24 months. We're excited to join the more than 4,000 global organizations who are part of this initiative. This year also marks the first full year of our Environmental and Social Committee of the Board providing strategic insight and guidance to our teams.

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[1] Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures or supplementary financial measures. Please see the sections entitled "How We Assess the Performance of Our Business", "Selected Consolidated Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" of our Management's Discussion and Analysis ("MD&A") for the fiscal year ended February 26, 2023 ("Fiscal 2023 MD&A"), dated May 2, 2023 (as included in this Annual Report and available on SEDAR at www.sedar.com) for further details.

[2] Adjusted EBITDA as a percentage of net revenue for Fiscal 2023 was 16.0%. Net income as a percentage of net revenue for Fiscal 2023 was 8.5%.

Looking Forward

As we set our sights on the future, the unprecedented strength and positioning of our business enables us to fully capitalize on the many opportunities ahead. Over the past two years, our primary focus has been to maximize sales and meet the surging demand for our product in an extremely dynamic operating environment — and our team surpassed this goal with exceptional results, resulting in a new $2.2 billion net revenue baseline from which we plan to grow.

Going forward, building upon our strong foundation to support our next phase of growth is our top priority. We are confident in the sustainability of our new, elevated baseline from which we will continue to pursue our growth strategies. This is why in Fiscal 2024 we are focused on investing in infrastructure to support the scale of our current business and to fuel our future growth – always with a long-term approach in mind. Our decisions are carefully considered, and we pride ourselves on best-in-class execution. Our track record of nearly four decades of success is proof that this approach works.

We have key infrastructure projects coming online later this year, including our new 550,000 square foot distribution centre in Toronto, which will serve as a fulfilment hub for Eastern Canada and the Eastern United States, and our expanded support office space. In addition to these projects, we have a robust pipeline of new stores this year and next, including a new flagship location in Chicago and the repositioning of all three of our Manhattan flagship locations. We will also be investing in eCommerce technology to drive eCommerce 2.0 and in talent across all areas of the business as we scale our teams to align with our recent growth.

We remain extremely excited about the endless runway of opportunities in front of us, as we continue to fuel our momentum by growing our boutique portfolio, delivering eCommerce 2.0 and acquiring new clients. Our business is strong – never in our history have we had the brand momentum, design and manufacturing capabilities, real estate portfolio, distribution centre network and, most importantly, the quality of people that we now have.

We are confident that our growth strategies and targeted infrastructure investments will continue to maximize sales and create sustainable long-term value. To our shareholders – thank you for your continued support and confidence in our management team and our plan for the business. I look forward to sharing additional updates with you on our business in the future.

Sincerely,

Jennifer Wong
Chief Executive Officer
May 11, 2023

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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 approximately 97% of Aritzia's net revenue.

wilfred | wilfred free | SUPER WORLD™ | REIGNING CHAMP

BABATON | TEN BY BABATON | The Group BABATON

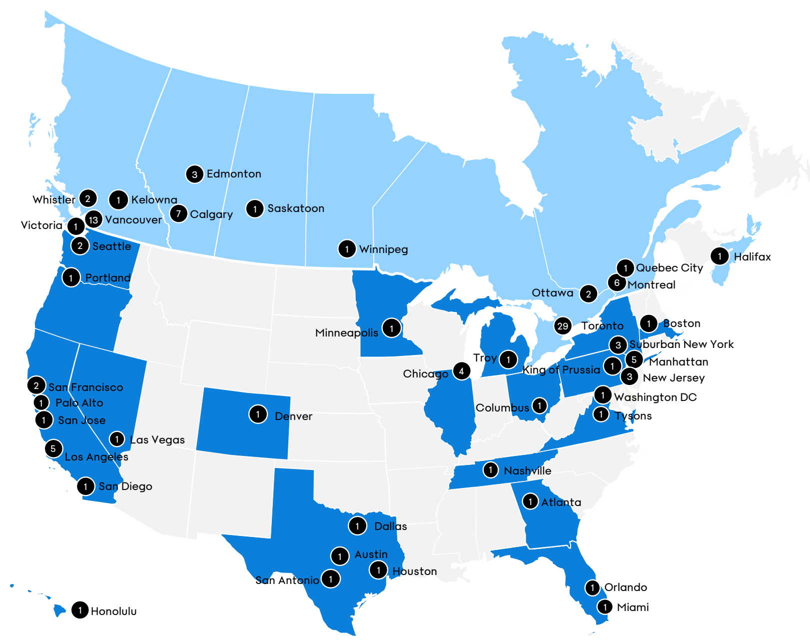
Sunday Best | TNA® | TnAction™ | DENIM FORUM

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 omnichannel capabilities to seamlessly provide an Everyday Luxury experience for our clients to shop wherever, whenever, and however.



[1]Boutique count at the end of Fiscal 2023, excluding four Reigning Champ boutiques.

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 unprecedented opportunities.

1. 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 continues to accelerate, trending ahead of our target payback of 12 to 18 months due to our high sales performance, management of build-out costs, and landlord allowances.

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.

2. eCommerce Growth

Our eCommerce business was launched in Fiscal 2013 and quickly surpassed 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 increased 88% in Fiscal 2021 during the height of the COVID-19 pandemic, followed by growth of 33% in Fiscal 2022 and 36% in Fiscal 2023. eCommerce revenue was 35% of total net revenue in Fiscal 2023, compared to 23% in Fiscal 2020, pre-pandemic. We continue to invest in our digital capabilities to support our eCommerce business, and we plan to further fuel eCommerce growth by delivering eCommerce 2.0, connecting clients to tailored product discovery, creative innovation, and intuitive experiences.

3. Increased Brand Awareness

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 increasing more than 50% in the United States during Fiscal 2023 on top of an increase of over 100% in Fiscal 2022. Our premier real estate locations, aspirational boutique designs, and high-touch service highlight the unique ethos and aesthetic of our exclusive brands as well as 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.

Our Community Strategy

Aritzia proudly acknowledges the role it must play in accelerating its Environmental, Social, and Governance (ESG) commitments and performance. As our business grows, so does our potential to make an impact.

At Aritzia, Community refers to the contributions we make to People and the Planet. Our Community priorities span across our operations and wider value chain — which includes our raw material production, third-party manufacturing suppliers, product distribution, use by our clients and their end-of-life destination, as well as across our boutiques, distribution centres and our offices.

With the guidance of our Environmental & Social Committee of the Board and leadership of our Community Executive Committee, we continue to refine our strategies to deliver Everyday Luxury responsibly.

Our Results

PEOPLE

- Launched and kicked off our People Resource Groups (PRGs) to celebrate and embrace the diversity in our business and to inspire communities.
- Expanded our Supplier Workplace Standards Program to in- scope Tier 2 Suppliers (fabric and trims suppliers).
- Donated $1 million of warm winter coats to our Aritzia Community™ Partners across North America during the holiday season.
- Collaborated with Salish artist Atheana Picha to design a T-shirt in honour of Orange Shirt Day, donating 100% of proceeds to Orange Shirt Society.

PLANET

- Incorporated lower impact fabrics in 61% of our 2022 collections and 64% of our Spring/Summer 2023 collections, which include organic and recycled cotton, recycled polyester and nylon, amongst others.
- Became a member of the Aid by Trade Foundation's The Good Cashmere Standard and certified over 50% of our cashmere styles across our FW22 collections.
- Signed and submitted a Letter of Intent in November 2022 to the Science Based Target initiative confirming our commitment to set greenhouse gas emissions reduction targets within the next 24 months.

Our Priorities

Informed by our materiality assessment, Aritzia's Community priorities span across our value chain, with People and Planet initiatives embedded cross-functionally throughout our organization. These priorities aim to improve the lives of the people who propel our business forward, make Aritzia products, and exist within our surrounding communities, and to reduce the impact our operations and products have on the planet. As part of our Community strategy and aligned with our material impacts, we have identified priorities for the next year and beyond including:

PEOPLE

- Build and scale People & Culture infrastructure to attract, retain and develop high performing talent
- Further invest in Equity, Diversity and Inclusion resources and programs
- Expanded and continued to monitor, safeguard and mitigate risks related to the human rights and workplace standards of people in our supply chain
- Continued to support community organizations with product donations, funding and volunteering

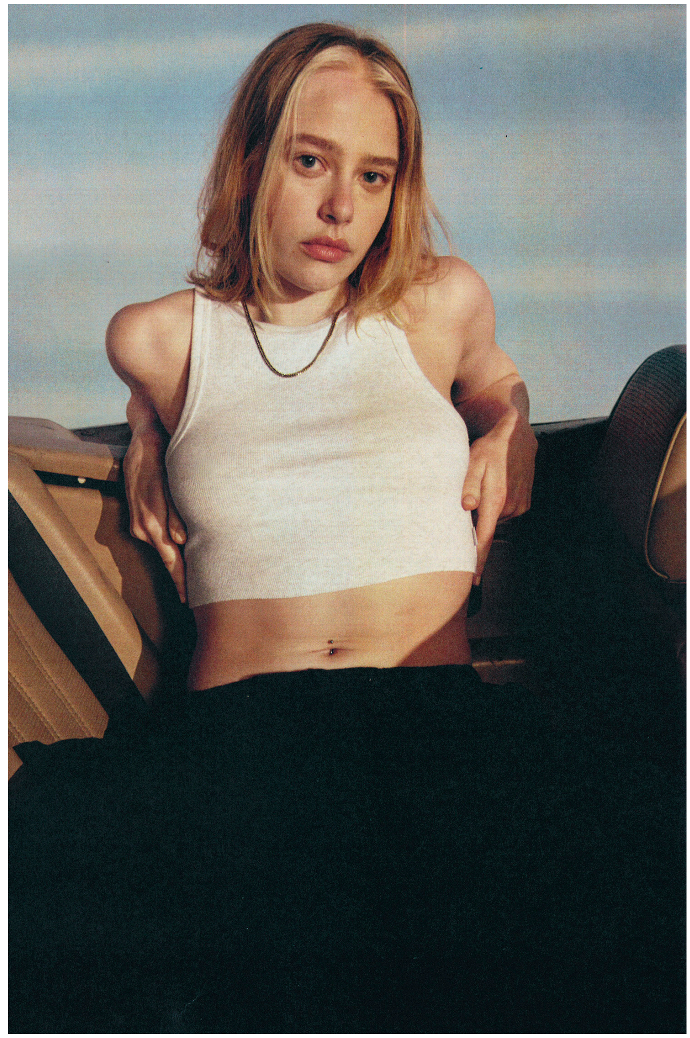
PLANET

- Expand the use of lower impact materials in our products and packaging
- Set mid and long term greenhouse gas emissions reduction targets
- Monitor supplier environmental performance and partner on identified opportunities for improvement
- Assess water stewardship opportunities

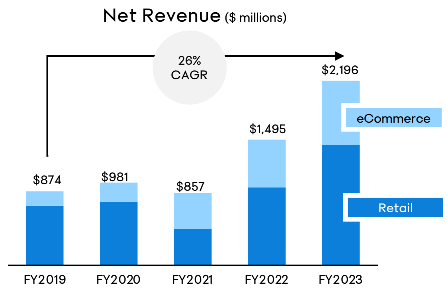
GOVERNANCE

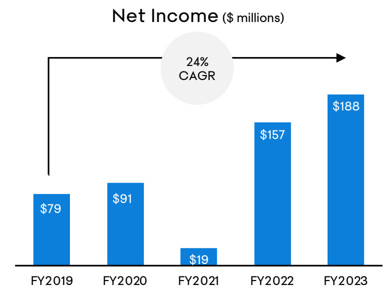
- Integrate assessment and management of People & Planet risks into enterprise risk management processes
- Embed materiality assessment findings into the developments of our Community strategy to be launched in Fiscal 2024
- Continue to disclose on performance against our Community priorities

For a detailed discussion on our approach, performance and practices, refer to the Aritzia Community | ESG Report, available on Aritzia's Environmental and Social Investor Relations page at www.investors.aritzia.com



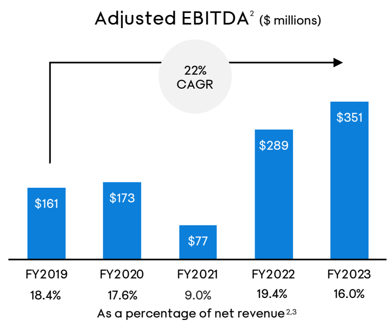
Proven Results

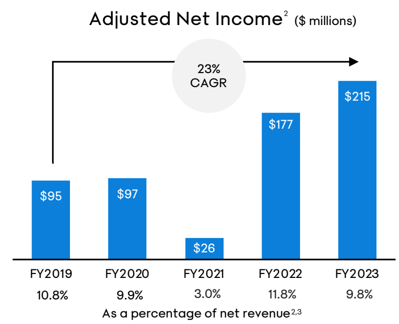




Comparable Sales Growth (%)[1,2]

	Q1	Q2	Q3	Q4	Annual
FY2019	10.9%	11.5%	12.9%	5.5%	9.8%
FY2020	7.9%	8.4%	5.1%	8.9%	7.6%
FY2021	n/a	n/a	n/a	n/a	n/a
FY2022	n/a	n/a	n/a	n/a	n/a
FY2023	29.4%	28.3%	22.8%	32.2%	28.2%





[1] Results in Fiscal 2021 and Fiscal 2022 reflect temporary boutique closures and severe occupancy restrictions due to the COVID-19 pandemic. As temporary boutique closures in Fiscal 2021 and Fiscal 2022 resulted in all boutiques being removed from our comparable store base, we believe total comparable sales growth was not representative of the underlying trends of our business. We do not believe this metric is useful to investors in understanding performance and therefore have not reported this metric for Fiscal 2021 or Fiscal 2022.
[2] Adjusted EBITDA and Adjusted Net Income are non-IFRS measures, Adjusted EBITDA as a percentage of net revenue and Adjusted Net Income as a percentage of net revenue are non-IFRS ratios and comparable sales growth is a supplementary financial measure. See the sections entitled "How We Assess the Performance of Our Business", "Selected Consolidated Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" of our Fiscal 2023 MD&A for additional information. A quantitative reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted EBITDA as a percentage of net revenue, Adjusted Net Income and Adjusted Net Income as a percentage of net revenue can be found on page 8 of our Fiscal 2023 MD&A, page 8 of our annual MD&A for Fiscal 2022 dated May 5, 2022, 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, and page 12 of our annual MD&A for Fiscal 2019 dated May 9, 2019, filed on SEDAR at www.sedar.com, which reconciliations are incorporated herein by reference.
[3] Net income as a percentage of net revenue for Fiscal 2019, Fiscal 2020, Fiscal 2021, Fiscal 2022 and Fiscal 2023 was 9.0%, 9.2%, 2.2%, 10.5% and 8.5%, respectively.

Operational and Financial Summary

SELECTED FINANCIAL INFORMATION

(in thousands of Canadian dollars, unless otherwise noted)	Fiscal 2023 52 Weeks	Fiscal 2022 52 Weeks	Fiscal 2021 52 Weeks	Fiscal 2020 52 Weeks	Fiscal 2019 53 Weeks
Financial Summary:					
Net revenue	$ 2,195,630	$ 1,494,630	$ 857,323	$ 980,589	$ 874,296
Cost of goods sold	1,281,638	839,678	544,818	577,165	531,383
Gross profit	913,992	654,952	312,505	403,424	342,913
Operating expenses					
Selling, general and administrative	602,469	392,802	250,726	243,362	215,297
Stock-based compensation expense	24,369	26,131	10,691	7,790	11,540
Income from operations	287,154	236,019	51,088	152,272	116,076
Finance expense	31,263	25,202	28,420	28,319	4,821
Other expense (income)	(7,916)	(8,783)	(3,534)	(2,185)	(395)
Income before income taxes	263,807	219,600	26,202	126,138	111,650
Income tax expense	76,219	62,683	6,975	35,544	32,922
Net income	$ 187,588	$ 156,917	$ 19,227	$ 90,594	$ 78,728
Net income per diluted share	$ 1.63	$ 1.36	$ 0.17	$ 0.81	$ 0.67
Adjusted EBITDA(1)	$ 351,181	$ 289,385	$ 76,812	$ 172,572	$ 161,045
Adjusted Net Income(1)	$ 214,771	$ 176,736	$ 26,028	$ 97,388	$ 94,543
Adjusted Net Income per Diluted Share(1)	$ 1.86	$ 1.53	$ 0.23	$ 0.87	$ 0.81
Weighted average number of diluted shares outstanding (thousands)	115,301	115,784	112,844	112,128	117,358
Cash and cash equivalents	$ 86,510	$ 265,245	$ 149,147	$ 117,750	$ 100,897
Capital cash expenditures (net of proceeds from lease incentives)(1)	$ (112,050)	$ (52,607)	$ (42,529)	$ (36,253)	$ (49,862)
Free cash flow(1)	$ (119,656)	$ 221,937	$ 36,306	$ 117,246	$ 38,874
Percentage of Net Revenue:					
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	58.4%	56.2%	63.5%	58.9%	60.8%
Gross profit	41.6%	43.8%	36.5%	41.1%	39.2%
Operating expenses					
Selling, general and administrative	27.4%	26.3%	29.2%	24.8%	24.6%
Stock-based compensation expense	1.1%	1.7%	1.2%	0.8%	1.3%
Income from operations	13.1%	15.8%	6.0%	15.5%	13.3%
Finance expense	1.4%	1.7%	3.3%	2.9%	0.6%
Other expense (income)	(0.4%)	(0.6%)	(0.4%)	(0.2%)	(0.0%)
Income before income taxes	12.0%	14.7%	3.1%	12.9%	12.8%
Income tax expense	3.5%	4.2%	0.8%	3.6%	3.8%
Net income	8.5%	10.5%	2.2%	9.2%	9.0%
Adjusted EBITDA(1)	16.0%	19.4%	9.0%	17.6%	18.4%
Adjusted Net Income(1)	9.8%	11.8%	3.0%	9.9%	10.8%
Other Metrics:					
Year-over-year net revenue growth (decline)	46.9%	74.3%	(12.6%)	12.2%	17.6%
Comparable sales growth(1)	28.2%	n/a	n/a	7.6%	9.8%
Boutiques:(2)					
Number of boutiques, end of period	114	106	101	96	91
New boutiques	8	6	7	5	7
Repositioned to a flagship boutique	(1)	-	(1)	-	(1)
Pop-up boutique converted to permanent boutique	1	-	-	-	-
Boutique closure	-	(1)	-	-	-
Boutique closed due to mall redevelopment	-	-	(1)	-	-
Boutiques expanded or repositioned	5	6	3	3	4

(1) Adjusted EBITDA and Adjusted Net Income are non-IFRS financial measures; Adjusted Net Income per Diluted Share, Adjusted EBITDA as a percentage of net revenue and Adjusted Net Income as a percentage of net revenue are non-IFRS ratios; capital cash expenditures (net of proceeds from lease incentives and free cash flow are capital management measures; and gross profit margin and comparable sales growth are supplementary financial measures. Please see the sections entitled "How We Assess the Performance of Our Business", "Selected Consolidated Financial Information" and "Non-IFRS Measures and Retail Industry Metrics" of our Fiscal 2023 MD&A (as included in this Annual Report and available on SEDAR at www.sedar.com) for further details concerning these measures.
(2) Reigning Champ had four boutiques in Fiscal 2023 and Fiscal 2022 which are excluded from the boutique count.

Certain statements made in this Annual Report may constitute forward-looking information under applicable securities laws, including statements relating to: our approach and expectations with respect to boutique growth, expansion and repositions; our expectations with respect to our growth runway in the United States; our ability to successfully open new boutiques in line with expected store economics, including average payback periods; our Fiscal 2027 strategic and financial plan including our expectations for net revenue in Fiscal 2027, geographical and channel growth and adjusted EBITDA as a percentage of net revenue by the end of Fiscal 2027; our ability to maintain momentum in our business and our advancements of, and investments in, our strategic growth levers including geographic expansion, eCommerce growth and increased brand awareness; our plans to deliver eCommerce 2.0 including tailored product discovery, creative innovation and intuitive experiences; our investments in eCommerce technology and investment in talent, and the expected results therefrom; and our environmental, social and governance initiatives and related statements regarding our commitment to establish greenhouse gas emission reduction targets. Forward-looking statements are based on information currently available to management and on estimates and assumptions, including assumptions about future economic conditions and courses of action. Many factors could cause our actual results, performance, achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of our Fiscal 2023 MD&A and our annual information form for the fiscal year ended February 26, 2023, which are incorporated by reference into this Annual Report Please refer to the "Forward-Looking Information" section in our Fiscal 2023 MD&A for further details about forward-looking information and our press release dated October 27, 2022, "Aritzia Presents its Fiscal 2027 Strategic and Financial Plan, Powering Stronger" which is available on SEDAR for details about our Fiscal 2027 strategic and financial plan.

Management's Discussion & Analysis

Aritzia Inc.

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

May 2, 2023

The following Management's Discussion and Analysis ("MD&A") dated May 2, 2023 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the 13-week and 52-week periods ended February 26, 2023. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2023 (as hereinafter defined).

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

Many factors could cause our actual results, performance, achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and the Company's annual information form for Fiscal 2023 (the "AIF") which are incorporated by reference into this document. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or any successor or replacement thereof.

The Company cautions that the foregoing list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. We operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for management to predict all risks, nor assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this document represents our expectations as of the date of this document (or as of the date they are otherwise stated to be made) and are subject to change after such date. We disclaim any intention, obligation or undertaking to update or revise any forward-looking information, whether written or oral, as a result of new information, future events or otherwise, except as required under applicable securities laws.

BASIS OF PRESENTATION

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

All references in this MD&A to “Q4 2023” are to our 13-week period ended February 26, 2023, to "Q1 2023" are to our 13-week period ended May 29, 2022, to “Q4 2022” are to our 13-week period ended February 27, 2022 and to "Q1 2024" are to our 13-week period ending May 28, 2023. All references in this MD&A to "Fiscal 2027" are to our 52-week period ending February 28, 2027, to "Fiscal 2026" are to our 52-week period ending March 1, 2026, to "Fiscal 2024" are to our 53-week period ending March 3, 2024, to “Fiscal 2023” are to our 52-week period ending February 26, 2023, to “Fiscal 2022” are to our 52-week period ended February 27, 2022, to "Fiscal 2021" are to our 52-week period ended February 28, 2021 and to "Fiscal 2020" are to our 52-week period ended March 1, 2020.

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

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

OVERVIEW

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

Founded in 1984, in Vancouver, Canada, we create and curate products that are both beautiful and beautifully made, cultivate aspirational environments, offer engaging service that delights, and connect through captivating communications. We pride ourselves on providing immersive and highly personal shopping experiences at aritzia.com and in our 110+ boutiques throughout Canada and the United States to everyone, everywhere.

Everyday Luxury. To Elevate Your World.™

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

RECENT EVENTS

Normal Course Issuer Bid and Automatic Share Purchase Plan

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

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

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

Investor Day 2022 Fiscal 2027 Strategic and Financial Plan

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

- Geographic expansion: The Company plans to continue opening and expanding boutiques, resulting in annual square footage growth. The Company intends to capitalize on premier real estate for new locations, continuing to elevate its boutique design and deliver exceptional experiences for its clients.
- eCommerce acceleration: Having grown its eCommerce business by 150% from Fiscal 2020 to Fiscal 2022, the Company intends to further fuel its growth by delivering eCommerce 2.0, connecting clients to tailored product discovery, creative innovation, and intuitive experiences. In addition to elevating the existing web platform, Aritzia plans to create new digital platforms.
- Increased brand awareness: The Company plans to build and execute on its Everyday Luxury experience, propelling increased brand awareness, new client acquisition, and loyalty. Aritzia intends to leverage the power of influence to build a greater following and community by amplifying clients' voices and augmenting their social media presence through strategic marketing.

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

Completion of Secondary Offering

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

COVID-19 PANDEMIC

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

See also the "Risk Factors" section of this MD&A and in our AIF.

FINANCIAL HIGHLIGHTS

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

Q4 2023

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

Fiscal 2023

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

Strategic Accomplishments for Fiscal 2023

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

OUTLOOK

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

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

SELECTED FINANCIAL INFORMATION

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

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

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

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

Selected Consolidated Financial Information

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

Selected Consolidated Financial Position Information

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

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

Reconciliation to Non-IFRS Financial Measures

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

[3] Rent Impact from IFRS 16, Leases

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

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

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

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

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

SUMMARY OF FACTORS AFFECTING PERFORMANCE

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

Our Brand and Products

Our exclusive fashion brands offer a strategic mix of brands that have been thoughtfully conceived, designed, and developed. We believe that a key area of differentiation for us is that we design apparel and accessories to enable us to reach many different groups of clients. Our sourcing and manufacturing strategy gives us control over our supply chain and provides us with the flexibility to optimize our brand mix as needed to address changes in client demand and fashion preferences. This has been critical to our ability to grow while also reducing risk.

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

Our exclusive brands currently represent approximately 97% of Aritzia's net revenue. Our broad product assortment includes t-shirts, blouses, sweaters, jackets, coats, pants, shorts, skirts, dresses, denim, intimates, swimwear, accessories, and men's wear (resulting from our acquisition of CYC) for each season. We maintain a flexible mix of historically successful items and new seasonal styles. Our changing product mix is a blended reflection of client demands and fashion trends. This strategic mix helps us to drive client conversion by delivering fashion must-haves, while still generating a meaningful proportion of revenue from our fashion essentials. We complement our exclusive product mix with a strategically chosen selection of premium denim, accessories and footwear from leading contemporary, third-party brands. Our expansive and diverse range of fashion apparel and accessories addresses a broad range of style preferences and lifestyle requirements for our clients, producing strong and enduring client loyalty.

Creative Development

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

Boutiques

We have developed our boutique network in a measured and disciplined manner. We have a portfolio of boutiques situated in premier real estate locations in high performing retail malls and high streets in Canada and the United States. Our strong boutique sales productivity continues to make us a sought-after tenant for top quality locations in premier shopping destinations. In addition to opening new boutiques, we generate attractive returns on capital by enhancing elements of our existing boutiques (including footprint, layout and assortment) through carefully considered boutique expansions and repositions. We continue to elevate our boutique design and believe we deliver a fully immersive experience including, commencing in Fiscal 2019, enhancing the sensory experience by adding A-OK cafes in select boutiques.

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

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

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

eCommerce Growth

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

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

- *We plan to deliver tailored product discovery:* We plan to enable clients to discover all we have to offer, while personalizing suggestions for their individual taste, style and preferences. We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our clients. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and client loyalty. We have begun to customize merchandising and content experience based on geography and climate and plan to continue to evolve personalized experiences. Aritzia.com showcases our entire product assortment, and our brands are designed for a segment of our overall client base. We aim to inspire the client to discover our diverse assortment, while content is tailored to their individual style and preferences to keep them engaged.
- *We plan to deliver creative innovation:* With an emphasis on form, creative innovation keeps our eCommerce experience at the forefront of cool. This extends to service, operations and technology. We aim to continuously raise the bar across both form and function. Whether it be aspirational site design, how we merchandise, captivating content and communications, or coming up with a creative technology solution – we plan to redefine the norms.
- *We plan to deliver an intuitive experience:* Our eCommerce platform aims to provide our clients further ease of use at all touchpoints. A word that is often used to describe Everyday Luxury is effortless, and this is the digital interpretation. We strive to offer a seamless, integrated, and highly shoppable experience. Aritzia is focused on improving the digital experience across all devices (e.g., desktop, mobile, tablet) to work towards making shopping frictionless. We continue to implement a number of core optimizations including user reviews and fit guides, enhancing site search functionality, landing page templates, and numerous checkout improvements to reduce client friction. The core areas of our client's digital journey including discovery, evaluating, and purchase are continuously improved resulting in increased conversion rate and average order value. We have also re-set our optimization program, embedding a culture of test and learn on how we go to market with new features and capabilities.

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

Distribution Facilities

Our current distribution network consists of three distribution centres, two in Canada and one in the United States, that are well positioned to service our boutiques and eCommerce business. Our distribution centres include a 223,000 square foot facility in New Westminster, British Columbia, a 150,000 square foot third-party facility in Mississauga, Ontario, and a 240,000 square foot third-party facility in Columbus, Ohio.

We operate our distribution centre located in New Westminster, British Columbia, while the distribution centres located in Mississauga, Ontario and Columbus, Ohio are operated by third-party logistics providers. Our inventory is centrally managed and shared amongst our boutiques and eCommerce business. We also lease additional space outside of these three distribution centres to manage overflow inventory storage.

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

In Fiscal 2022 we broke ground on a new facility that we will be operating in Vaughan, Ontario and in Fiscal 2023 we commenced retrofitting work in the new facility which we expect will be completed in Fiscal 2024. This new facility will be in-sourced and will replace our existing 150,000 square feet distribution centre operated by a third-party logistics provider with a new 550,000 square feet distribution centre operated by Aritzia.

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

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

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

Omni-Channel Capabilities

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

- Store Inventory Visibility – Launched in Fiscal 2022, this functionality enhances the client experience on aritzia.com by providing visibility of product availability in stores. This initiative drives cross-channel shopping behavior and reduces contacts to our Concierge team by enabling clients to self-serve on common product availability related questions.
- Buy Online, Ship From Store – We intend to launch this capability along with foundational systems to enable future omni channel capabilities. This new capability introduces store inventory online, ensuring our full product assortment is available on aritzia.com. It also enables strategic targeting of inventory across our network of boutiques and minimizes delivery time to our clients.
- Buy Online, Pick-up In Store – We intend to launch this capability to provide clients with the option to pick up their online order in store. Building on store inventory visibility, this capability further integrates the online and in-store experiences leveraging the exceptional service in our boutiques to deliver an elevated, yet convenient experience.

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

Environment, Social & Governance ("ESG")

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

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

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

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

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

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

For a more detailed discussion on our ESG metrics and key performance indicators, refer to the FY2022 Aritzia Community™ | ESG Report, available on Aritzia's Environmental and Social Investor Relations page at investors.aritzia.com and for details on our ESG impacts and progress refer to the "Environment, Social & Governance (ESG): Our Impacts and Our Progress" section of the Company's AIF, which is available on SEDAR at www.sedar.com.

Consumer Trends

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

Seasonality

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

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

First fiscal quarter	16%
Second fiscal quarter	24%
Third fiscal quarter	30%
Fourth fiscal quarter	30%
Yearly total	100%

Weather

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

Competition

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

Foreign Exchange

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

NON-IFRS MEASURES AND RETAIL INDUSTRY METRICS

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

HOW WE ASSESS THE PERFORMANCE OF OUR BUSINESS

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

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

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

Due to temporary boutique closures from COVID-19 in Fiscal 2022 and Fiscal 2021 which resulted in boutiques being removed from our comparable store base, we believe total comparable sales growth was not representative of the underlying trends of our business and therefore we have not reported figures on this metric for Fiscal 2022 or Fiscal 2021 in this MD&A.

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

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

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

EBITDA is defined as consolidated net income before depreciation and amortization, finance expense and income tax expense. We believe this measure is useful as it is used by management as a component of reconciliation between other non-IFRS measures and their most comparable IFRS measure.

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

Adjusted Net Income (and per Diluted Share) and Adjusted Net Income as a percentage of net revenue are useful measures of performance, as we believe they provide a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income, Adjusted Net Income per Diluted Share, and Adjusted Net Income as a percentage of net revenue to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted

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

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

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

RESULTS OF OPERATIONS

Analysis of Results for Fourth Quarter Fiscal 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Q4 2023 and Q4 2022 were 26.6%.

Income tax expense was $16.8 million, compared to $12.5 million in Q4 2022 and the effective tax rates for Q4 2023 and Q4 2022 were 31.0% and 26.8%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $37.3 million, an increase of 9.1% compared to $34.2 million in Q4 2022. The increase in net income was primarily attributable to the factors described above.

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

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

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

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

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

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

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

Analysis of Results for Fiscal 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rates for Fiscal 2023 and Fiscal 2022 were 26.6%.

Income tax expense was $76.2 million, compared to $62.7 million in Fiscal 2022 and the effective tax rates for Fiscal 2023 and Fiscal 2022 were 28.9% and 28.5%, respectively. The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

Net income was $187.6 million, an increase of 19.5% compared to $156.9 million in Fiscal 2022. The increase in net income was primarily attributable to the factors described above.

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Revolving Credit Facility

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

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

In addition, we also have letters of credit facilities of CAD$50.0 million and US$40.0 million, secured *pari passu* with the revolving credit facility. The interest rate for the letters of credit is between 1.00% and 2.50%.

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

Cash Flows

The following table presents cash flows for the periods indicated.

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

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2023

Net Cash Generated from Operating Activities

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

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

Net Cash Used in Financing Activities

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

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

Cash Used in Investing Activities

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 26, 2023, we had purchase obligations of $158.0 million, which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at February 26, 2023, letters of credit totaling $31.6 million have been issued.

FINANCIAL INSTRUMENTS

In connection with the acquisition of CYC, we entered into two financial instruments that will be revalued on a recurring basis in the consolidated financial statements: contingent consideration and non-controlling interest in exchangeable shares liability. Changes in the fair value of these two financial instruments are recorded in net income. The significant assumptions made in determining the fair value of our financial instruments are disclosed in note 13 to our audited annual consolidated financial statements for Fiscal 2023 and in the "Critical Accounting Estimates and Judgments" section of this MD&A.

Contingent consideration

We have a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at the acquisition date of CYC on June 25, 2021, we recorded a contingent consideration liability of $13.2 million which is payable in two equal installments of

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

Non-controlling interest in exchangeable shares liability

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

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

As at February 26, 2023, the fair value of the non-controlling interest in exchangeable shares liability was $35.5 million (February 27, 2022 - $35.5 million).

Equity derivative contracts

We have equity derivative contracts to hedge the share price exposure on our cash-settled deferred and restricted share units. These contracts are not designated as hedging instruments for accounting purposes. Changes in the fair value of equity derivative contracts are recorded in net income. During Fiscal 2023, the Company recorded unrealized losses of $6.1 million (Fiscal 2022 - unrealized gains of $11.2 million) for the change in fair value for these contracts and realized gains of $1.4 million (Fiscal 2022 - $nil) arising from the settlement of these equity derivative contracts. As at February 26, 2023, the equity derivative contracts had a positive fair value of $9.5 million (February 27, 2022 - $15.6 million) which is recorded in prepaid expenses and other current assets.

RELATED PARTY TRANSACTIONS

During Fiscal 2023, we made payments of $5.4 million (Fiscal 2022 - $4.9 million) for lease of premises and management services and $1.3 million (Fiscal 2022 - $1.0 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at February 26, 2023, a nominal amount was included in accounts payable and accrued liabilities (February 27, 2022 - $0.5 million). As at February 26, 2023, the outstanding balance of lease liabilities owed to these companies was $49.7 million (February 27, 2022 - $13.3 million). These transactions were measured at the amount of consideration established at market terms.

TRANSACTIONS WITH KEY MANAGEMENT

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

(in thousands of Canadian dollars)	**Q4 2023**	**Q4 2022**	**Fiscal 2023**	**Fiscal 2022**
Salaries, directors' fees and short-term benefits	1,059	1,114	4,404	4,906
Stock-based compensation	344	1,232	6,617	8,685
	$ 1,403	$ 2,346	$ 11,021	$ 13,591

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Return Allowances

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

Valuation of Finished Goods Inventory

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

Impairment of Goodwill and Indefinite Life Intangible Assets

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

Leases

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

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

Business Combinations

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

Non-Controlling Interest in Exchangeable Shares Liability

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

ACCOUNTING POLICY DEVELOPMENTS

Standards Issued But Not Yet Adopted

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

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company is currently assessing the potential impact of these amendments.

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

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

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The Company is currently assessing the potential impact of these amendments.

RISK FACTORS

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

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

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

Foreign Exchange Risk

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

Interest Rate Risk

We have a revolving credit facility which provides available borrowings in an amount up to $175.0 million. Because the revolving credit facility bears interest at a variable rate, we are exposed to market risks relating to changes in interest rates on outstanding balances. As at February 26, 2023, no advances were made under the revolving credit facility.

Credit Risk

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

Liquidity Risk

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

Equity Price Risk

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that they can make appropriate and timely decisions regarding public disclosure.

As required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), an evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO, as at February 26, 2023. They concluded that, as at February 26, 2023 the design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, the consolidated financial statements and other disclosures was made known to them on a timely basis.

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

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design and the effective operation of the Company's internal control over financial reporting as defined in NI 52-109, as at February 26, 2023. In making this assessment, management, including the CEO and CFO, used the framework set forth in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal control over financial reporting, as defined by NI 52-109, were effective as at February 26, 2023.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during Q4 2023 and during Fiscal 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURRENT SHARE INFORMATION

As of May 1, 2023, an aggregate of 90,054,526 subordinate voting shares, 20,437,349 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by Brian Hill, our principal shareholder, Founder and Executive Chair. As of May 1, 2023, an aggregate of 9,027,174 options, 201,060 performance share units and 356,322 restricted share units to acquire subordinate voting shares are outstanding.

ADDITIONAL INFORMATION

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

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS AND CERTAIN PERFORMANCE MEASURES

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

Consolidated Quarterly Results[5]

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

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

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

Financial Statements

ARITZIA

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 26, 2023 and February 27, 2022, 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 26, 2023 and February 27, 2022;
- 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
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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 26, 2023. 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
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 26, 2023, the Company held inventory of $467.6 million including finished goods in transit of $60.5 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 magnitude of the inventory balance 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 a sample of 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 as at year-end by agreeing to third party shipment documents, receipt of inventory to distribution centres and purchase invoices. • Tested, on a sample basis, inventory received post year-end to shipping documents to assess whether inventory was recorded appropriately as 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 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.

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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 Paulina Prokop.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 2, 2023

Aritzia Inc.
Consolidated Statements of Financial Position
As at February 26, 2023 and February 27, 2022

(in thousands of Canadian dollars)

	Note	February 26, 2023	February 27, 2022
Assets			
Cash and cash equivalents		**$ 86,510**	$ 265,245
Accounts receivable		**18,184**	8,147
Income taxes recoverable		**6,419**	6,455
Inventory	6	**467,634**	208,125
Prepaid expenses and other current assets	13	**33,101**	33,564
Total current assets		**$ 611,848**	$ 521,536
Property and equipment	7	**308,608**	223,190
Intangible assets	8	**86,382**	87,398
Goodwill	8	**198,846**	198,846
Right-of-use assets	9	**614,061**	362,887
Other assets		**3,830**	4,271
Deferred tax assets	19	**12,968**	26,458
Total assets		**$ 1,836,543**	$ 1,424,586
Liabilities			
Accounts payable and accrued liabilities	10	**$ 221,712**	$ 179,344
Income taxes payable		**—**	58,917
Current portion of contingent consideration	13	**6,619**	6,619
Current portion of lease liabilities	9	**117,316**	86,724
Deferred revenue		**71,653**	55,721
Total current liabilities		**$ 417,300**	$ 387,325
Lease liabilities	9	**654,690**	417,067
Other non-current liabilities	11	**21,499**	22,359
Contingent consideration	13	**—**	6,618
Non-controlling interest in exchangeable shares liability	13	**35,500**	35,500
Deferred tax liabilities	19	**21,767**	24,906
Total liabilities		**$ 1,150,756**	$ 893,775
Shareholders' equity			
Share capital	14	**$ 265,519**	$ 251,291
Contributed surplus		**68,682**	56,342
Retained earnings		**355,270**	223,553
Accumulated other comprehensive loss		**(3,684)**	(375)
Total shareholders' equity		**685,787**	530,811
Total liabilities and shareholders' equity		**$ 1,836,543**	$ 1,424,586
Commitments and contingencies	21		

Approved on behalf of 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 26, 2023 and February 27, 2022

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

	Note	February 26, 2023	February 27, 2022
Net revenue	17, 20	**$ 2,195,630**	$ 1,494,630
Cost of goods sold	18	**1,281,638**	839,678
Gross profit		**913,992**	654,952
Operating expenses			
Selling, general and administrative		**602,469**	392,802
Stock-based compensation expense	15, 18	**24,369**	26,131
Income from operations		**287,154**	236,019
Finance expense	9, 12, 18	**31,263**	25,202
Other expense (income)	13, 18	**(7,916)**	(8,783)
Income before income taxes		**263,807**	219,600
Income tax expense	19	**76,219**	62,683
Net income		**$ 187,588**	$ 156,917
Net income per share			
Basic	16	**$ 1.70**	$ 1.42
Diluted	16	**$ 1.63**	$ 1.36
Weighted average number of shares outstanding (thousands)			
Basic	16	**110,259**	110,401
Diluted	16	**115,301**	115,784

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

Aritzia Inc.
Consolidated Statements of Comprehensive Income
For the years ended February 26, 2023 and February 27, 2022

(in thousands of Canadian dollars)

		February 26, 2023		February 27, 2022
Net income	**$**	**187,588**	$	156,917
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net income:				
Foreign currency translation adjustment		**(3,309)**		(151)
Comprehensive income	**$**	**184,279**	$	156,766

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 26, 2023 and February 27,2022

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

	Multiple voting shares		Subordinate voting shares					
	Shares	Amounts	Shares	Amounts	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, February 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
Share 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**
Net Income	**—**	**—**	**—**	**—**	**—**	**187,588**	**—**	**187,588**
Options exercised (note 15)	**—**	**—**	**943,772**	**18,513**	**(7,202)**	**—**	**—**	**11,311**
Stock-based compensation expense on equity-settled plans (note 15)	**—**	**—**	**—**	**—**	**19,542**	**—**	**—**	**19,542**
Shares exchange at secondary offering (note 14)	**(1,500,000)**	**(1,084)**	**1,500,000**	**1,084**	**—**	**—**	**—**	**—**
Shares repurchased for cancellation (note 14)	**—**	**—**	**(1,619,580)**	**(4,285)**	**—**	**(55,871)**	**—**	**(60,156)**
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**(3,309)**	**(3,309)**
Balance, February 26, 2023	**20,437,349**	**$ 14,774**	**90,005,261**	**$ 250,745**	**$ 68,682**	**$ 355,270**	**$ (3,684)**	**$ 685,787**

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

Aritzia Inc.

Consolidated Statements of Cash Flows

For the years ended February 26, 2023 and February 27, 2022

(in thousands of Canadian dollars)

	Note	February 26, 2023	February 27, 2022
Operating activities			
Net income for the period		**$ 187,588**	$ 156,917
Adjustments for:			
Depreciation and amortization	7,8	**52,855**	44,569
Depreciation on right-of-use assets	9	**81,047**	68,058
Finance expense	18	**31,263**	25,202
Stock-based compensation expense	15, 18	**24,369**	26,131
Unrealized loss (gain) on equity derivative contracts	13, 18	**6,093**	(11,192)
Income tax expense	19	**76,219**	62,683
Amortization of deferred lease inducements		**(1,070)**	(1,056)
Fair value adjustment for inventory acquired in CYC Design Corporation		**—**	1,902
Fair value adjustment of non-controlling interest in exchangeable shares liability	18	**—**	2,000
Rent concessions relating to lease liabilities	9	**—**	(3,800)
Cash generated before non-cash working capital balances and interest and income taxes		**458,364**	371,414
Net change in non-cash working capital	23	**(228,956)**	18,723
Cash generated before interest and income taxes		**229,408**	390,137
Interest paid		**(3,743)**	(2,491)
Interest paid on lease liabilities	9	**(27,336)**	(23,128)
Income taxes paid		**(123,416)**	(26,165)
Net cash generated from operating activities		**74,913**	338,353
Financing activities			
Payment of financing fees	12	**—**	(651)
Repayment of principal on lease liabilities	9	**(86,262)**	(66,300)
Proceeds from lease incentives		**13,538**	14,414
Proceeds from options exercised	15	**11,311**	11,473
Shares repurchased for cancellation	14	**(61,124)**	(8,029)
Repayment of long-term debt	12	**—**	(75,000)
Net cash used in financing activities		**(122,537)**	(124,093)
Investing activities			
Purchase of property and equipment	7	**(122,767)**	(65,427)
Purchase of intangible assets	8	**(2,821)**	(1,594)
Acquisition of CYC Design Corporation, net of cash acquired	5	**—**	(32,555)
Contingent consideration payout, net relating to the acquisition of CYC Design Corporation	13	**(5,625)**	—
Cash used in investing activities		**(131,213)**	(99,576)
Effect of exchange rate changes on cash and cash equivalents		**102**	1,414
Change in cash and cash equivalents		**(178,735)**	116,098
Cash and cash equivalents – Beginning of year		**265,245**	149,147
Cash and cash equivalents – End of year		**$ 86,510**	$ 265,245
Supplemental cash flow information	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.

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 (note 5). 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.

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

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

Basis of presentation

These 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 2023 and 2022 represent the fiscal years ended February 26, 2023 and February 27, 2022.

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 2, 2023 by the Company’s Board of Directors (“Board”).

COVID-19 Pandemic

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

(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 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-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 in profit and loss. The portion of 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 consolidated financial statements are presented in Canadian dollars. 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. The functional currency of the parent corporation and its Canadian operations is the Canadian dollar. The functional currency of the Company's U.S. operations is the U.S. dollar.

Foreign currency translation

Transactions denoted in foreign currencies are translated into the functional currency for the respective entity at the exchange rates at the date of the transaction. 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 recognized in profit or loss. Other non-monetary items on the consolidated statement of financial position denominated in foreign currencies are translated into the functional currencies using the exchange rates at the date of the transaction.

The Company's U.S. operations with a functional currency of U.S. dollars are translated into Canadian dollars at each reporting date. Assets and liabilities 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 26, 2023 and February 27, 2022, the Company had no investments held in money market instruments classified as cash equivalents.

Prepaid expenses and other current assets

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

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 any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any

(in thousands of Canadian dollars, unless otherwise noted)

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. Costs 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 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.

Costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Costs include 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 non-financial assets

General

Impairment testing compares the carrying values of the assets or cash-generating units ("CGU") being tested with their recoverable amounts (the recoverable amount being the greater of an asset's or CGUs value in use or fair value less costs of disposal). To the extent that the carrying value of an asset or CGU exceeds its recoverable amount, the excess amount would be recorded as an impairment loss. Should the recoverable amounts for impaired assets or CGUs subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed.

Property, plant and equipment, intangible assets, and right-of-use assets with finite lives

Assets that are subject to depreciation or amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment.

Goodwill and intangible assets with indefinite lives

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. The Company has selected the first day of the fourth quarter as the time of the annual impairment test.

The fair value methodologies used by the Company in testing goodwill and indefinite-lived intangible assets include assumptions related to sales trends, discount rates, royalty rates and other assumptions that are judgmental in nature. If future economic conditions or operating performance, such as declines in sales or increases in discount rates, are different than those projected by management in its most recent impairment tests for goodwill and indefinite-lived intangible assets, future impairment charges may be required. See Note 8 for further details.

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.

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 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.

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 share capital. 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.

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.

Employee benefits

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses are expensed through cost of goods sold or selling, general and administrative expenses 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.

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

General

For stock-based compensation which vests in its entirety at one future point in time (cliff-vesting), the Company recognizes the expense on a straight-line basis over the vesting period. For stock-based compensation which vests in tranches, the Company recognizes the expense using the graded vesting method. An estimate of forfeitures during the vesting period is made at the date of grant, which is adjusted to reflect actual forfeitures. For stock-based compensation that is subject to performance criteria, it is earned only if certain performance targets are achieved, as established by the Board, along with any other vesting conditions over the vesting period and can decrease or increase if minimum or maximum performance targets are achieved.

Equity-settled plans

Stock option expense is initially recognized based on the fair value of the option at the grant date using the Black-Scholes option-pricing model, with a corresponding increase in contributed surplus. When stock options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are reclassified to share capital.

Compensation expense related to other equity-settled plans is measured based on an estimated fair value at the grant date, with a corresponding increase in contributed surplus. Upon settlement, the amount initially recognized in contributed surplus is reclassified to share capital.

Cash-settled plans

Compensation expense related to cash-settled plans is measured based on the market value of the Company's shares at grant date, with a corresponding liability. The liability is subsequently 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 over the vesting period.

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.

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 stock options granted, as calculated under the treasury stock method, and the dilutive impact of equity-settled restricted and performance share units granted and the non-controlling interest in exchangeable shares liability.

3 Accounting policy developments

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

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

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company is currently assessing the potential impact of these amendments.

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

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

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The Company is currently assessing the potential impact of these amendments.

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.
- 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 (note 5).
- 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 estimated future operating results, expected volatility, anticipated timing and discount rate associated with the obligation (note 13).

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.

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 installments 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 earn out 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 and is grouped with the Company's existing goodwill, based on the expected future benefits to be derived. Goodwill is non-deductible for tax purposes.

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

(in thousands of Canadian dollars, unless otherwise noted)

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 26, 2023	February 27, 2022
Finished goods	**$ 397,629**	$ 131,954
Finished goods-in-transit	**60,527**	69,656
Raw materials	**9,478**	6,515
Inventory	**$ 467,634**	$ 208,125

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 $5.2 million for the year ended February 26, 2023 (February 27, 2022 - $8.3 million). No inventory write-downs recorded in previous periods were reversed.

All of the Company’s inventory is pledged as security for the Company's revolving credit facility (note 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 recognized $1.9 million relating to the purchase price fair value adjustment included 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 and software	Construction in-progress	Total
Cost					
Balance, February 28, 2021	$ 253,076	$ 60,510	$ 25,164	$ 11,565	$ 350,315
Additions	38,091	10,185	4,832	18,443	71,551
Additions related to CYC acquisition	2,083	500	87	—	2,670
Transfers from construction-in-progress	9,898	1,267	169	(11,334)	—
Dispositions	(7,481)	(2,734)	(1,028)	—	(11,243)
Foreign exchange	535	103	17	46	701
Balance, February 27, 2022	$ 296,202	$ 69,831	$ 29,241	$ 18,720	$ 413,994
Additions	**62,605**	**14,689**	**6,061**	**44,067**	**127,422**
Transfers from construction-in-progress	**11,789**	**3,171**	**228**	**(15,188)**	**—**
Dispositions	**(5,105)**	**(2,282)**	**(2,510)**	**—**	**(9,897)**
Foreign exchange	**9,613**	**1,843**	**322**	**758**	**12,536**
Balance, February 26, 2023	**$ 375,104**	**$ 87,252**	**$ 33,342**	**$ 48,357**	**$ 544,055**
Accumulated depreciation					
Balance, February 28, 2021	$ 111,459	$ 30,669	$ 18,619	$ —	$ 160,747
Depreciation	27,982	8,406	4,366	—	40,754
Dispositions	(7,481)	(2,734)	(1,028)	—	(11,243)
Foreign exchange	418	103	25	—	546
Balance, February 27, 2022	$ 132,378	$ 36,444	$ 21,982	$ —	$ 190,804
Depreciation	**34,902**	**9,540**	**4,546**	**—**	**48,988**
Dispositions	**(5,105)**	**(2,282)**	**(2,510)**	**—**	**(9,897)**
Foreign exchange	**4,421**	**867**	**264**	**—**	**5,552**
Balance, February 26, 2023	**$ 166,596**	**$ 44,569**	**$ 24,282**	**$ —**	**$ 235,447**
Net carrying value					
Balance, February 27, 2022	$ 163,824	$ 33,387	$ 7,259	$ 18,720	$ 223,190
Balance, February 26, 2023	**$ 208,508**	**$ 42,683**	**$ 9,060**	**$ 48,357**	**$ 308,608**

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

(in thousands of Canadian dollars, unless otherwise noted)

8 Goodwill and intangible assets

	Indefinite life trade names	Definite life trade names and trademarks	Computer software	Non-compete agreements	Construction-in-progress	Total Intangible assets	Goodwill
Cost							
Balance, February 28, 2021	$ 46,092	$ 19,184	$ 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	$ 19,184	$ 35,356	$ 1,200	$ 1,674	$ 129,706	$ 198,846
Additions	**—**	**—**	**—**	**—**	**2,851**	**2,851**	**—**
Balance, February 26, 2023	**$ 72,292**	**$ 19,184**	**$ 35,356**	**$ 1,200**	**$ 4,525**	**$ 132,557**	**$ 198,846**
Accumulated amortization							
Balance, February 28, 2021	$ —	$ 13,941	$ 24,608	$ —	$ —	$ 38,549	$ —
Amortization	—	684	2,971	160	—	3,815	—
Dispositions	—	—	(56)	—	—	(56)	—
Balance, February 27, 2022	$ —	$ 14,625	$ 27,523	$ 160	$ —	$ 42,308	$ —
Amortization	**—**	**692**	**2,935**	**240**	**—**	**3,867**	**—**
Balance, February 26, 2023	**$ —**	**$ 15,317**	**$ 30,458**	**$ 400**	**$ —**	**$ 46,175**	**$ —**
Net carrying value							
Balance, February 27, 2022	$ 72,292	$ 4,559	$ 7,833	$ 1,040	$ 1,674	$ 87,398	$ 198,846
Balance, February 26, 2023	**$ 72,292**	**$ 3,867**	**$ 4,898**	**$ 800**	**$ 4,525**	**$ 86,382**	**$ 198,846**

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

Business combination

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). Management has grouped goodwill that arose on the CYC acquisition with the existing goodwill, based on the expected future benefits to be derived.

Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill is monitored corporately at the level of the Company's single operating segment. The recoverable amount of goodwill is 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 are projected based on approved financial forecasts, expected annual growth assumptions and a terminal growth rate to extrapolate the cash flow projections. A pre-tax discount rate of 9.6% and a terminal growth assumption rate of 2.0% were used in the impairment model.

The Company's indefinite life trade names include Aritzia and Reigning Champ. 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. For the purposes of intangible assets with indefinite useful lives, 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. The carrying values allocated to the CGUs' intangible assets with indefinite useful lives are set out in the following table:

(in thousands of Canadian dollars, unless otherwise noted)

	February 26, 2023	February 27, 2022
Aritzia trade name	**$ 46,092**	$ 46,092
Reigning Champ trade name	**26,200**	26,200
Indefinite life trade names	**$ 72,292**	$ 72,292

The recoverable amount of the indefinite life trade names is determined based on the relief from royalty method, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the group of CGUs. The method considers the projected royalties that would otherwise be paid to the holder of the trade name, assuming an arm's length owner.

Specific cash flow estimates for the trade names are projected based on approved financial forecasts, annual growth assumptions, royalty rates, discount rates and a terminal growth rate to extrapolate the cash flow projections. A pre-tax discount rate of 9.6% and 19.3% for each of the Aritzia and Reigning Champ trade names, respectively, and a terminal growth assumption rate of 2.0% (based on the Bank of Canada's target inflation rate) were used in the impairment models for each trade name.

As at February 26, 2023 and February 27, 2022, management has determined that there was no impairment of goodwill or the indefinite life trade names. The Company believes that any reasonably possible change in the key assumptions on which the calculation of the recoverable amount of the CGUs is based would not cause the CGUs carrying values to exceed their recoverable amounts.

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 26, 2023:

		Right-of-use assets
Cost		
Balance, February 27, 2022	**$**	**549,778**
Additions, net of lease incentives received		**261,907**
Modifications		**41,975**
Foreign exchange		**24,933**
Balance, February 26, 2023	**$**	**878,593**
Accumulated depreciation		
Balance, February 27, 2022	**$**	**186,891**
Depreciation		**80,515**
Amortization of fair value adjustment on CYC leases		**532**
Modifications		**(12,367)**
Foreign exchange		**8,961**
Balance, February 26, 2023	**$**	**264,532**
Net carrying value		
Balance, February 27, 2022	$	362,887
Balance, February 26, 2023	**$**	**614,061**

The following table reconciles the change in lease liabilities for the year ended February 26, 2023:

		Lease liabilities
Balance, February 27, 2022	**$**	**503,791**
Additions		**279,492**
Interest expense on lease liabilities (note 18)		**27,336**
Repayment of interest and principal on lease liabilities		**(113,598)**
Modifications		**52,916**
Foreign exchange		**22,069**
Balance, February 26, 2023	**$**	**772,006**
Current portion of lease liabilities		**117,316**
Long-term portion of lease liabilities		**654,690**
Lease liabilities	**$**	**772,006**

(in thousands of Canadian dollars, unless otherwise noted)

The following table summarizes the Company's rent and rent-related expenses for the year ended February 26, 2023:

	February 26, 2023	February 27, 2022
Depreciation on right-of-use assets, excluding fair value adjustments	$ 80,515	$ 67,702
Interest expense on lease liabilities (note 18)	27,336	22,346
Variable lease expense	26,370	14,439
Common area maintenance, property taxes and other	41,336	37,010
Lease payments relating to short-term or low value leases	2,670	1,656
Total rent and rent-related expenses	$ 178,227	$ 143,153

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	$ 152,520
Between 1 and 5 years	443,102
More than 5 years	376,490
Future undiscounted minimum lease payments	$ 972,112

As at February 26, 2023, the Company had future undiscounted minimum lease payments of $146.1 million for leases committed to but not yet commenced (February 27, 2022 - $122.6 million).

10 Accounts payable and accrued liabilities

	February 26, 2023	February 27, 2022
Trade accounts payable	$ 149,422	$ 124,506
Employee benefits payable	44,205	38,494
Other non-trade payables	22,351	12,469
Current portion of Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plan liabilities (note 15)	5,734	3,875
Accounts payable and accrued liabilities	$ 221,712	$ 179,344

11 Other non-current liabilities

	February 26, 2023	February 27, 2022
RSU and DSU plan liabilities (note 15)	$ 14,914	$ 15,736
Deferred lease inducements	6,174	6,250
Asset retirement obligations	411	373
Other non-current liabilities	$ 21,499	$ 22,359

(in thousands of Canadian dollars, unless otherwise noted)

12 Bank indebtedness

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 financing fees as part of the refinancing in the year ended February 27, 2022, which have been deferred and are being amortized over the term of the facility.

The revolving credit facility bears interest at banker's acceptance rate ("BA"), London Inter-Bank Offered Rate ("LIBO") or Canadian prime rate, plus a marginal rate between 0.50% and 2.50% (February 27, 2022 – 0.50% and 2.50%). Up to $10.0 million of the facility can be drawn upon by way of a swingline loan. As at February 26, 2023 and February 27, 2022, no advances were made under the revolving credit facility.

The Company also has letters of credit facilities of CAD$50.0 million and US$40.0 million (February 27, 2022 - CAD$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 26, 2023, the amount available under these facilities was reduced to $72.9 million (February 27, 2022 - $31.5 million) by certain open letters of credit (note 21).

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 26, 2023 and February 27, 2022, the Company was in compliance with all financial covenants.

13 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 26, 2023		As at February 27, 2022	
	Classification	**Fair Value Level**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets						
Cash and cash equivalents	Amortized cost	1	**$ 86,510**	**$ 86,510**	$ 265,245	$ 265,245
Accounts receivable	Amortized cost	2	**18,184**	**18,184**	8,147	8,147
Equity derivative contracts	FVTPL	2	**9,468**	**9,468**	15,561	15,561
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	2	**$ 221,712**	**$ 221,712**	$ 179,344	$ 179,344
Lease liabilities	Amortized cost	2	**772,006**	**$ 772,006**	503,791	503,791
Contingent consideration	FVTPL	3	**6,619**	**$ 6,619**	13,237	13,237
Non-controlling interest in exchangeable shares liability	FVTPL	3	**35,500**	**$ 35,500**	35,500	35,500

There were no transfers between the levels of the fair value of hierarchy for the years ended February 26, 2023 and February 27, 2022.

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 26, 2023, the Company recorded an unrealized loss of $6.1 million (February 27, 2022 - 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). During the year ended February 26, 2023, the Company recorded realized gains of $1.4 million (February 27, 2022 - $nil) arising from the settlement of equity derivative contracts. As at February 26, 2023, the equity derivative contracts had a positive fair value of $9.5 million (February 27, 2022 – $15.6 million) which is recorded in prepaid expenses and other current assets 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 ended 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 which is payable in two equal installments of $6.6 million on May 31, 2022 and May 31, 2023. During the year ended February 26, 2023, the first installment was paid to CYC net of $1.0 million in indemnities and shared costs pursuant to the purchase agreement. During the year ended February 26, 2023, there was no change in fair value of the remaining contingent consideration given the targets set out in calculating the contingent consideration were already met during the pre-defined measurement period.

Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders (“exchangeable shareholders”) in exchange for their 25% share of the total common shares at acquisition. The exchangeable shares allow the holders to put back their shares to CYC in the following periods: one-third from May 1, 2024 to August 31, 2024, one-third from May 1, 2025 to August 31, 2025, and one-third from May 1, 2026 to August 31, 2026 (the “put options”). In the event that the exchangeable shareholders do not exercise the put 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 cash flows associated with the modelled operating results are then discounted back to the valuation date.

(in thousands of Canadian dollars, unless otherwise noted)

The fair value of the non-controlling interest in exchangeable shares liability was estimated for the year ended February 26, 2023 based on the Monte Carlo simulation using the following assumptions:

Initial business enterprise value (100%)	$63.0 million
Capped enterprise value (remaining 25% purchase)	$60.0 million
Gross profit expected volatility	23.0%
Gross profit discount rate	14.5%
Expected life	3.8 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 year ended February 26, 2023, there was no change in the fair value recorded for the non-controlling interest in exchangeable shares liability (February 27, 2022 - $2.0 million recorded in other expense (income)).

14 Share capital

Secondary offerings

From time to time, the Company will announce a secondary offering on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and/or controlled, directly or indirectly, by Brian Hill, Founder and Executive Chair of Aritzia, or Brian Hill and his immediate family (collectively, the “Selling Shareholders”). The Company does not receive any proceeds from the secondary offerings. Underwriting fees are paid by the Selling Shareholders and other expenses related to the secondary offerings are paid by the Company.

On November 14, 2022, the Company announced a secondary offering (the "2022 Secondary Offering"). As part of the 2022 Secondary Offering, during the year ended February 26, 2023, the Selling Shareholders exchanged 1,500,000 of their multiple voting shares for subordinate voting shares. On May 13, 2021, the Company announced a secondary offering (“2021 Secondary Offering”). As part of the 2021 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. Details relating to the 2022 and 2021 Secondary Offerings are summarized in the following table:

	2022 Secondary Offering	2021 Secondary Offering
Completion date	**November 30, 2022**	June 1, 2021
Number of subordinate voting shares	**1,500,000**	3,040,700
Price per subordinate voting share	**$ 51.60**	$ 30.00
Gross proceeds to the Selling Shareholders	**$ 77,400**	$ 91,221
Other expenses paid by the Company	**$ 518**	$ 530

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

From time to time, the Company will announce a NCIB approved by the Board and the TSX to repurchase and cancel a specified number of subordinate voting shares. All repurchases are made through the facilities of the Toronto Stock Exchange at market prices. Amounts paid above the average book value of the subordinate voting shares is charged to retained earnings. In connection with an NCIB, the Company may enter into an ASPP with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the NCIB during self-imposed blackout periods. The volume of purchases is determined by the broker in its sole discretion based on purchase price and maximum volume parameters established by the Company in accordance with the rules of the TSX, applicable securities laws and the terms of the ASPP. All purchases made under an ASPP will be included in computing the number of subordinate voting shares purchased under an NCIB.

On January 18, 2023, the Company announced that the TSX had accepted our notice of intention to proceed with a normal course issuer bid (the “2023 NCIB”) to repurchase and cancel up to 3,860,745 of its subordinate voting shares, representing approximately 5% of the public float of 77,214,916 subordinate voting shares, over the 12-month period commencing January 20, 2023 and ending January 19, 2024. On February 3, 2023, the Company subsequently entered into an ASPP (the “2023 ASPP”) which commenced immediately and terminates when the 2023 NCIB expires, unless terminated earlier in accordance with the terms of the 2023 ASPP. During the year ended February 26, 2023, the Company did not repurchase any shares for cancellation under the 2023 NCIB.

On January 12, 2022, the Company announced that the TSX had accepted our notice of intention to proceed with a NCIB (the “2022 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 which commenced January 17, 2022 and ended January 16, 2023. On May 18, 2022, the Company entered into an ASPP (the “2022 ASPP”). With the announcement of the 2022 Secondary Offering, the 2022 ASPP was automatically terminated pursuant to its terms. During the year ended February 26, 2023, the Company repurchased a total of 1,619,580 subordinate voting shares for cancellation at an average price of $37.14 per subordinate voting share for total cash consideration of $60.2 million (February 27, 2022 - 164,200 subordinate voting shares at an average price of $54.79). As at February 26, 2023, $nil (February 27, 2022, $1.0 million) of cash consideration related to subordinate voting share repurchases was recorded in accounts payable and accrued liabilities.

As at February 26, 2023, there were 20,437,349 multiple voting shares and 90,005,261 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at February 26, 2023. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

15 Stock-based compensation

Details of stock-based compensation expense

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 stock options to directors, employees, consultants and advisors. Concurrent with the IPO, the Company implemented a long-term incentive plan (the “Omnibus plan”) for certain officers, directors, employees or consultants. The Omnibus plan includes stock options, Restricted Share Units and Performance Share Units ("PSUs"). The Company also has a Deferred Share Unit plan for non-employee directors.

(in thousands of Canadian dollars, unless otherwise noted)

Details of the Company's Omnibus plan are included in the following table:

Unit type	Vesting	Settled in cash or equity
Stock Options	Five-year graded vesting	Equity
Deferred Share Unit	Immediately at time of grant	Cash (not redeemable until the eligible director ceases to be a member of the Board)
Restricted Share Unit	Third anniversary of award date	Cash, equity or combination at the discretion of the Board on the grant date
Performance Share Unit	Third anniversary of award date	Cash, equity or combination at the discretion of the Board on the grant date

RSUs granted through February 27, 2022 represent cash-settled awards. Effective February 28, 2022, RSUs granted represent equity-settled awards. PSUs granted through February 26, 2023 represent equity-settled awards subject to performance targets.

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

	February 26, 2023	February 27, 2022
Equity-settled plans		
Stock options	**$ 14,467**	$ 10,171
Restricted Share Units	**2,666**	—
Performance Share Units	**2,409**	1,136
Cash-settled plans		
Restricted Share Units	**4,742**	10,866
Deferred Share Units	**85**	3,958
Stock-based compensation expense	**$ 24,369**	**$ 26,131**

Stock-based compensation expense in relation to the options under the Legacy Plan for the year ended February 26, 2023 was $nil (year ended February 27, 2022 – nominal) as the options have been fully vested and expensed.

Stock Options

Legacy Plan

Following completion of the IPO in October 2016, no additional options will be granted under the Legacy Plan. All issued options expire after 10 or 15 years from the date granted.

(in thousands of Canadian dollars, unless otherwise noted)

Transactions for options granted under the Legacy Plan for the years ended on February 26, 2023 and February 27, 2022 were as follows:

	February 26, 2023		February 27, 2022		
	Number of stock options	**Weighted average exercise price**	**Number of stock options**		**Weighted average exercise price**
Outstanding, at beginning of year	**2,213,883**	**5.35**	3,059,324	$	5.13
Exercised	**(367,253)**	**4.68**	(845,441)		4.56
Outstanding, at end of year	**1,846,630**	**5.48**	2,213,883	$	5.35
Exercisable, at end of year	**1,846,630**	**5.48**	2,213,883	$	5.35

The weighted average share price on the dates the stock options were exercised during the year ended February 26, 2023 was $49.22 (February 27, 2022 - $45.81).

The Company's outstanding and exercisable stock option weighted average remaining contractual life and weighted average exercise price under the Legacy Plan as at February 26, 2023 is as follows:

	Stock options outstanding			Stock options exercisable		
Range of exercise prices	**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	654,507	1.78	4.21	654,507	1.78	4.21
$4.97 to $6.44	534,949	2.41	5.46	534,949	2.41	5.46
$6.45 to $7.09	657,174	3.10	6.76	657,174	3.10	6.76
	1,846,630	2.43	5.48	1,846,630	2.43	5.48

Omnibus Plan

All issued options expire after 7 or 10 years from the date granted.

Transactions for options granted under the Omnibus Plan for the years ended February 26, 2023 and February 27, 2022 were as follows:

(in thousands of Canadian dollars, unless otherwise noted)

	February 26, 2023			February 27, 2022		
	Number of stock options		Weighted average exercise price	Number of stock options		Weighted average exercise price
Outstanding, at beginning of year	**6,380,499**	**$**	**21.16**	5,208,278	$	16.12
Granted	**1,743,661**		**36.58**	1,777,158		35.21
Exercised	**(576,343)**		**16.65**	(483,534)		15.76
Forfeited	**(211,725)**		**30.42**	(121,403)		31.84
Outstanding, at end of year	**7,336,092**	**$**	**24.92**	6,380,499	$	21.16
Exercisable, at end of year	**3,473,844**	**$**	**17.15**	2,980,285	$	15.37

The weighted average share price on the dates the stock options were exercised during the year ended February 26, 2023 was $49.85 (February 27, 2022 - $50.58).

Information relating to stock options outstanding under the Omnibus Plan and exercisable as at February 26, 2023 is as follows:

	Stock options outstanding				Stock options exercisable			
Range of exercise prices	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 $16.81	2,569,072	1.44	$	14.64	2,522,066	1.43	$	14.64
$16.82 to $33.07	2,677,967	5.95	$	24.10	875,282	5.12	$	21.75
$33.08 to $59.75	2,089,053	9.25	$	38.61	76,496	8.63	$	47.15
	7,336,092	5.31	$	24.92	3,473,844	2.52	$	17.15

The weighted average fair value of stock options estimated at the grant date for the year ended February 26, 2023 was $15.24 (February 27, 2022 - $12.86), based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	39.5% to 42.4%
Risk-free interest rate	2.8% to 3.6%
Expected life	5.0 to 7.0 years
Exercise price	$35.98 to $49.31

The expected volatility reflects the historical volatility in the price of the Company's shares over the expected life.

(in thousands of Canadian dollars, unless otherwise noted)

Director Deferred Share Unit Plan

The following table summarizes information related to DSUs for the years ended February 26, 2023 and February 27, 2022:

	February 26, 2023	February 27, 2022
Number of units		
Outstanding, at beginning of year	**153,826**	153,111
Granted	**28,985**	26,339
Settled in cash	**—**	(25,624)
Outstanding, at end of year	**182,811**	153,826
Vested, at end of year	**182,811**	153,826
Additional information		
Fair value of DSU liability	**7,665**	7,581

The weighted average fair value of the grant price for the year ended February 26, 2023 was $42.91 (February 27, 2022 - $40.21).

Restricted Share Unit Plan

The following table summarizes information related to RSUs for the years ended February 26, 2023 and February 27, 2022:

	February 26, 2023		February 27, 2022	
	Cash-settled	Equity-settled	Cash-settled	Equity-settled
Number of units				
Outstanding, at beginning of year	**652,846**	**—**	349,046	—
Granted	**—**	**371,835**	364,324	—
Settled	**(95,876)**	**—**	(37,247)	—
Forfeited	**(60,749)**	**(11,247)**	(23,277)	—
Outstanding, at end of year	**496,221**	**360,588**	652,846	—
Additional information				
Fair value of RSU liability	**12,983**	**—**	12,011	—

The weighted average fair value of the grant price for the year ended February 26, 2023 was $36.86 (equity-settled) (February 27, 2022 - $36.96 (cash-settled)).

(in thousands of Canadian dollars, unless otherwise noted)

Performance Share Unit Plan

The following table summarizes information related to PSUs for the years ended February 26, 2023 and February 27, 2022:

	February 26, 2023	February 27, 2022
Number of units		
Outstanding, at beginning of year	**96,836**	—
Granted	**104,224**	96,836
Outstanding, at end of year	**201,060**	96,836
Unvested earned PSUs, at end of year	**129,114**	—

The weighted average fair value of the grant price for the year ended February 26, 2023 was $35.98 (February 27, 2022 - $36.94).

16 Net income per share

Basic

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

	February 26, 2023	February 27, 2022
Net income attributable to shareholders of the Company	**$ 187,588**	$ 156,917
Weighted average number of shares outstanding during the year (thousands)	**110,259**	110,401
Basic net income per share	**$ 1.70**	$ 1.42

Diluted

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

	February 26, 2023	February 27, 2022
Net income attributable to shareholders of the Company	**$ 187,588**	$ 156,917
Weighted average number of shares for net income per diluted share (thousands)	**115,301**	115,784
Net income per diluted share	**$ 1.63**	$ 1.36

For the year ended February 26, 2023, 1,928,728 stock options and equity-settled RSUs, 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 27, 2022 – 737,577 stock options).

(in thousands of Canadian dollars, unless otherwise noted)

17 Net Revenue

Net revenue disaggregated for boutiques and eCommerce was as follows:

	February 26, 2023	February 27, 2022
Retail net revenue	**$ 1,425,779**	$ 930,290
eCommerce net revenue	**769,851**	564,340
Net revenue	**$ 2,195,630**	$ 1,494,630

18 Expenses by nature

	February 26, 2023	February 27, 2022
Cost of goods sold		
Inventory and product-related costs and occupancy costs	**$ 1,162,199**	$ 740,219
Depreciation on right-of-use assets	**77,730**	65,688
Depreciation on property and equipment	**41,709**	33,771
Cost of goods sold	**$ 1,281,638**	$ 839,678

	February 26, 2023	February 27, 2022
Personnel expenses		
Salaries, wages and employee benefits	**$ 483,182**	$ 316,877
Stock-based compensation expense (note 15)	**24,369**	26,131
Government payroll subsidies	**—**	(1,834)
Personnel expenses	**$ 507,551**	$ 341,174

	February 26, 2023	February 27, 2022
Finance expense		
Interest expense on lease liabilities (note 9)	**$ 27,336**	$ 22,346
Interest expense and banking fees	**3,743**	2,555
Amortization of deferred financing fees	**184**	301
Finance expense	**$ 31,263**	$ 25,202

(in thousands of Canadian dollars, unless otherwise noted)

	February 26, 2023	February 27, 2022
Other expense (income)		
Realized foreign exchange loss (gain)	**$ (9,109)**	$ 1,685
Unrealized foreign exchange loss (gain)	**(1,657)**	(2,839)
Fair value adjustment of non-controlling interest in exchangeable shares liability	**—**	2,000
Unrealized loss (gain) on equity derivative contracts (note 13)	**6,093**	(11,192)
Realized loss (gain) on equity derivative contracts (note 13)	**(1,387)**	—
CYC integration and acquisition costs	**467**	2,633
2022 and 2021 Secondary Offering costs (note 14)	**518**	530
Interest and other income	**(2,841)**	(1,600)
Other expense (income)	**$ (7,916)**	$ (8,783)

19 Income taxes

Income tax expense

	February 26, 2023	February 27, 2022
Current period	**$ 64,541**	$ 73,746
Adjustments with respect to prior periods	**327**	135
Current tax expense	**64,868**	73,881
Origination and reversal of temporary differences	**11,256**	(11,428)
Changes in substantively enacted tax rates	**180**	408
Adjustments with respect to prior periods	**(85)**	(178)
Deferred tax expense (recovery)	**$ 11,351**	$ (11,198)
Income tax expense	**$ 76,219**	$ 62,683

(in thousands of Canadian dollars, unless otherwise noted)

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 26, 2023 and February 27, 2022 of 26.6%, as follows:

	February 26, 2023	February 27, 2022
Income before income taxes	$ 263,807	$ 219,600
Expected income tax expense	70,173	58,414
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	5,119	3,008
Non-deductible fair value adjustment of non-controlling interest in exchangeable shares liability	—	540
Foreign tax rate differences	541	331
Other	386	390
Income tax expense	$ 76,219	$ 62,683

Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at February 26, 2023 and February 27, 2022 are as follows:

	February 26, 2023	February 27, 2022
Leases	$ 42,716	$ 38,186
Deferred revenue	5,502	3,553
Inventory	3,966	14,837
Stock-based compensation	3,053	1,075
Accounts payable and accrued liabilities	3,024	3,175
Deferred lease incentives	1,790	1,795
Net operating loss	1,110	537
Financing and share issuance costs	970	1,000
Other	772	803
Deferred tax assets	$ 62,903	$ 64,961
Property and equipment	$ 31,159	$ 31,770
Goodwill and intangible assets	40,529	31,606
Other	14	33
Deferred tax liabilities	$ 71,702	$ 63,409
Net deferred tax assets (liabilities)	$ (8,799)	$ 1,552

(in thousands of Canadian dollars, unless otherwise noted)

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

	February 26, 2023	February 27, 2022
Deferred tax expense (recovery) recorded in net income	**$ 11,351**	$ (11,198)
Deferred tax liability related to CYC Design acquisition (note 5)	**—**	7,630
Foreign currency translation adjustment on deferred taxes	**(1,000)**	(175)
Net change in deferred tax liabilities	**$ 10,351**	$ (3,743)

Of the deferred income tax balances, the Company expects $51.3 million of the deferred tax assets to be recovered within 12 months and $44.9 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.

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 together with the Founder, Executive Chair are its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's clients, including sales through the Company's eCommerce website and sales at the Company's boutiques.

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

	February 26, 2023	February 27, 2022
United States	**$ 1,120,962**	$ 676,135
Canada	**1,074,668**	818,495
Net revenue	**$ 2,195,630**	$ 1,494,630

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

	February 26, 2023	February 27, 2022
Canada	**$ 693,303**	$ 534,419
United States	**514,594**	337,902
Non-current, non-financial assets	**$ 1,207,897**	$ 872,321

(in thousands of Canadian dollars, unless otherwise noted)

21 Commitments and contingencies

Product purchase obligations

At February 26, 2023, the Company had purchase obligations of $158.0 million (February 27, 2022 - $155.9 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

Letters of credit

At February 26, 2023, the Company had open letters of credit of $31.6 million (February 27, 2022 - $43.5 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.

During the year ended February 26, 2023, the Company made payments of $5.4 million (February 27, 2022 - $4.9 million) for lease of premises and management services and $1.3 million (February 27, 2022 - $1.0 million) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at February 26, 2023, a nominal amount was included in accounts payable and accrued liabilities (February 27, 2022 - $0.5 million). As at February 26, 2023, the outstanding balance of lease liabilities owed to these companies was $49.7 million (February 27, 2022 - $13.3 million). These transactions were measured at the amount of consideration established at market terms.

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

	February 26, 2023	February 27, 2022
Salaries, directors' fees and short-term benefits	**4,404**	4,906
Stock-based compensation expense	**6,617**	8,685
Key management compensation	**$ 11,021**	$ 13,591

(in thousands of Canadian dollars, unless otherwise noted)

23 Supplemental cash flow information

The net change in non-cash working capital balances for the years ended February 26, 2023 and February 27, 2022 were as follows:

	February 26, 2023	February 27, 2022
Accounts receivable	**$ (3,616)**	$ (3,107)
Inventory	**(252,376)**	(28,997)
Prepaid expenses and other current assets	**(6,869)**	1,913
Other assets	**322**	(1,538)
Accounts payable and accrued liabilities	**20,053**	32,899
Deferred revenue	**13,530**	17,553
Net change in non-cash working capital balances	**$ (228,956)**	$ 18,723
Accrued purchases of property and equipment	**$ 14,231**	$ 9,196
Accrued purchases of intangible assets	**$ 219**	$ 172

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.

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 26, 2023, the Company had no outstanding foreign currency forward contracts.

As at February 26, 2023, 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 $1.3 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 26, 2023, no advances were made under the revolving credit facility.

Equity price risk

The Company is exposed to risk arising from cash-settled deferred and restricted share units, as an appreciating subordinate voting share price increases the potential cash outflow. The Company records a liability for the potential future settlement of the deferred and restricted share units by reference to the fair value of the liability. The company uses equity derivative contracts (total return swaps) to offset the cash flow variability of the expected payment associated with deferred and restricted share units. The Company only enters into equity derivative contracts with major financial institutions. As at February 26, 2023, an increase (or decrease) in the Company's share price by $1.00 would result in an increase (or decrease) of $0.5 million in the fair value of the liability.

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.

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 26, 2023 and February 27, 2022, no advances were made under this revolving credit facility. As at February 27, 2022, the Company also has letters of credit facilities of CAD$50.0 million and US$40.0 million (February 27, 2022 – CAD$75.0 million), of which $31.6 million of letters of credit were outstanding (February 27, 2022 – $43.5 million).

The following table summarizes the undiscounted contractual maturities of the Company's financial liabilities as at February 26, 2023:

(in thousands of Canadian dollars, unless otherwise noted)

	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 221,712	$ —	$ —	$ 221,712
Lease liabilities	152,520	443,102	376,490	972,112
Contingent consideration	6,619	—	—	6,619
Non-controlling interest in exchangeable shares liability	—	39,300	—	39,300
Total	$ 380,851	$ 482,402	$ 376,490	$ 1,239,743

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	Chairman of the Board
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	Director

EXECUTIVE OFFICERS

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

Information for Shareholders

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

June 28, 2023
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 TSX.

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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