MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal years ended February 1, 2025 and February 3, 2024 and the notes thereto which are available on the SEDAR+ website at www.sedarplus.ca. This MD&A is dated April 10, 2025.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") also referred to as Generally Accepted Accounting Principles ("GAAP"). All monetary amounts shown in the tables in this MD&A are in millions of Canadian dollars unless otherwise indicated, except per share amounts. The audited consolidated financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on April 10, 2025.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended February 1, 2025 ("fourth quarter of 2025") are against results for the 14 weeks ended February 3, 2024 ("fourth quarter of 2024") and all comparisons of results for the 52 weeks ended February 1, 2025 ("fiscal 2025") are against the results for the 53 weeks ended February 3, 2024 ("fiscal 2024"). Selected information is provided for the 52 weeks ended January 28, 2023 ("fiscal 2023").

The Company's fiscal year ends on the Saturday closest to the end of January. Fiscal 2024 includes 53 weeks instead of the normal 52 weeks. The fourth quarter of 2025 includes 13 weeks as compared to fourth quarter of 2024 which includes 14 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end date.

Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com or on the SEDAR+ website at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. Consequently, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of allowing investors and others to get a better understanding of the Company's operating environment and management's expectations and plans as of the date of this MD&A. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances.

This MD&A contains forward-looking statements about the Company's objectives, plans, goals, expectations, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's belief in its strategies and its brands and their capacity to generate long-term profitable growth plans to meet certain financial objectives, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout this MD&A including those listed in the "Operating and Financial Risk Management" section of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management. 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: management's belief in its strategies and its brands and their capacity to generate long-term profitable growth, significant sales growth in RW&Co. both in stores and online, increased market share for both Reitmans and PENN., stability in the current market environment, changes in laws, rules, regulations and global standards, the Company's competitive position in its industry, the Company's ability to keep pace with changing consumer preferences, the absence of public health related restrictions impacting client shopping patterns or incremental direct costs related to health and safety measures, the Company's ability to execute on its capital expenditure plan, including at its distribution centre in Montreal, and the Company's ability to retain and recruit exceptional talent.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- foreign currency fluctuations, including high levels of volatility of the Canadian dollar in relation to the US dollar;
- changes in economic conditions, including political uncertainty, international disputes, economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- significant economic disruptions caused by global health risks that influence sanitary measures (such as confinement and store closures), consumer demand and hamper the ability to get merchandise on a timely basis;
- changes in product costs and disruption of the Company's supply chain such as the impact of geopolitical developments on global trade routes;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward more e-commerce, online retailing and the introduction of new technologies;
- seasonality, weather and the Company's ineffectiveness in responding to consumer trends;
- the inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cyber security or data breaches;
- failure to realize benefits from investments in the Company's IT systems;

- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrinkage;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives; and
- changes in the Company's income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES & SUPPLEMENTARY FINANCIAL MEASURES

This MD&A makes reference to certain non-GAAP measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company's analysis of its financial information reported under IFRS.

NON-GAAP FINANCIAL MEASURES

This MD&A discusses the following non-GAAP financial measures: adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and working capital. This MD&A also indicates Adjusted EBITDA as a percentage of net revenues and is considered a non-GAAP financial ratio. Net revenues represent the sale of merchandise less discounts and returns ("net sales") and includes shipping fees charged to customers on e-commerce orders. The intent of presenting Adjusted EBITDA is to provide additional useful information to investors and analysts. Adjusted EBITDA is currently defined as net earnings before depreciation, amortization, net impairment of non-financial assets, interest expense, interest income, income tax expense/recovery, net pension settlement costs, contract termination costs, loss on foreign currency translation differences reclassified to net earnings, pension curtailment gain, and adjusted for the impact of certain items, including a deduction of interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases.* Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses this metric for this purpose. Management believes that Adjusted EBITDA as a percentage of net revenues indicates how much liquidity is generated for each dollar of net revenues. The exclusion of interest income and expenses, other than interest expense related to lease liabilities as explained hereafter, eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and net impairment losses, other than depreciation related to right-of-use assets as explained hereafter, eliminates the non-cash impact, and the exclusion of net pension settlement costs, contract termination costs, loss on foreign currency translation differences reclassified to net earnings and pension curtailment gain presents the results of the on-going business. Under IFRS 16, *Leases*, the characteristics of some leases result in lease payments being recognized in net earnings in the period in which the performance or use occurs while other leases are recorded as right-of-use assets with a corresponding lease liability recognized, which results in depreciation of those assets and interest expense from those liabilities. Management is presenting its Adjusted EBITDA to reflect the payments of its store and equipment lease obligations on a consistent basis. As such, the initial add-back of depreciation of right-of-use assets and interest on lease obligations are removed from the calculation of Adjusted EDITDA, as this better reflects the operational cash flow impact of its leases.

Working capital is defined as current assets less current liabilities. Management believes that working capital provides information that is helpful to understand the financial condition of the Company. Due to the seasonality of the Company's business, it is more relevant to compare the working capital position at the same point in time.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The tables below provide a reconciliation of net earnings to Adjusted EBITDA and the composition of working capital:

	Fourth quarter of		Fiscal	
	2025	**2024**	**2025**	**2024**
Net (loss) earnings	**$ (4.2)**	$ 0.0	**$ 12.1**	$ 14.8
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	**3.5**	3.9	**14.4**	14.2
Depreciation on right-of-use assets	**10.2**	9.9	**39.4**	34.3
Interest expense on lease liabilities	**2.5**	2.4	**10.0**	7.6
Interest income	**(1.6)**	(1.9)	**(5.8)**	(5.2)
Income tax (recovery) expense	**(2.0)**	(0.3)	**3.8**	5.3
Net pension settlement costs[1]	**1.2**	-	**0.4**	-
Contract termination costs[2]	**0.5**	-	**0.5**	-
Loss on foreign currency translation differences reclassified to net earnings	**-**	-	**-**	1.0
Pension curtailment gain	**-**	-	**-**	(0.9)
Rent impact from IFRS 16, *Leases*[3]	**(12.7)**	(12.3)	**(49.4)**	(41.9)
Adjusted EBITDA	**$ (2.6)**	$ 1.7	**$ 25.4**	$ 29.2
Adjusted EBITDA as % of Net Revenues	**(1.3)%**	0.8%	**3.3%**	3.7%

[1] Net pension settlement costs represent a settlement loss of $0.8 million and windup-related administration costs of $0.4 million for the fourth quarter of 2025; windup-related administration costs of $0.4 million for fiscal 2025.

[2] Contract termination costs relate to one-time contract termination costs on discontinued projects recognized in selling, general and administrative expenses.

[3] Rent Impact from IFRS 16, *Leases* is comprised as follows;

	For the fourth quarter of		Year to date fiscal	
	2025	**2024**	**2025**	**2024**
Depreciation on right-of-use assets	**$ 10.2**	$ 9.9	**$ 39.4**	$ 34.3
Interest expense on lease liabilities	**2.5**	2.4	**10.0**	7.6
Rent impact from IFRS 16, *Leases*	**$ 12.7**	$ 12.3	**$ 49.4**	$ 41.9

	As at February 1, 2025	**As at February 3, 2024**
Current assets	**$322.1**	$259.9
Current liabilities	**156.4**	105.5
Working capital	**$165.7**	$154.4

SUPPLEMENTARY FINANCIAL MEASURES

The Company uses a key performance indicator ("KPI"), comparable sales, to assess store performance and sales growth. The Company engages in an omnichannel approach in connecting with its customers by appealing to their shopping habits through either online or store channels. This approach allows customers to shop online for home delivery or to pick up in store, purchase in any of our store locations or ship to home from another store when the products are unavailable in a particular store. Due to customer cross-channel behavior, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Comparable sales are defined as net sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce net sales. The comparable sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a supplementary financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses comparable sales in evaluating the performance of stores and online net sales and considers it useful in helping to determine what portion of new net sales has come from sales growth and what portion can be attributed to the opening of new stores. Comparable sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Comparable sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

OVERVIEW

The Company has a single reportable segment that derives its revenue primarily from the sale of women's specialty apparel to consumers through its retail banners. The Company's stores are primarily located in malls and retail power centres across Canada while also offering e-commerce website shopping for all of its banners. The online channels provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company currently operates under the following banners:

Reitmans

The Reitmans banner, founded in 1926, operates stores averaging 4,700 sq. ft. and is Canada's leading specialty fashion destination. With a strong online presence and store locations across the country, Reitmans customers account for over one-third of Canadian women. Reitmans ambition is to offer a feel-good and inclusive space featuring on-trend styles in the most extensive size range, from 0-22.

PENN.
PENNINGTONS

PENN. is Canada's premiere destination for plus-size fashion, ranging from sizes 14 to 32. Through championing body diversity and size inclusivity, the brand believes that women deserve to experience the freedom that comes with feeling confident in their clothing. PENN. operates stores averaging 5,800 sq. ft. in power centres across Canada.

RW&CO.

RW&CO. operates stores averaging 4,600 sq. ft. in premium locations in major shopping malls as well as on their e-commerce site. Specializing in menswear and womenswear, the brand delivers versatile, well-crafted collections and exceptional brand experiences to an open and inclusive brand community.

RETAIL BANNERS

	Number of stores at February 3, 2024	Q1 Openings	Q1 Closings	Q2 Openings	Q2 Closings	Q3 Openings	Q3 Closings	Q4 Openings	Q4 Closings	Number of stores at February 1, 2025
Reitmans	226	1	-	-	(3)	-	(1)	3	(4)	222
PENN.	86	-	(1)	1	(1)	2	(1)	2	(2)	86
RW&CO.	81	-	(1)	-	-	1	-	1	-	82
Total stores	**393**	**1**	**(2)**	**1**	**(4)**	**3**	**(2)**	**6**	**(6)**	**390**

The viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	Fiscal 2025	Fiscal 2024	Fiscal 2023
Total stores at end of fiscal year	**390**	393	406
Net revenues	**$ 773.8**	$ 794.7	$ 803.3
Gross profit	**435.0**	431.0	451.4
Gross profit %	**56.2%**	54.2%	56.2%
Earnings before income taxes	**15.9**	20.1	45.6
Net earnings	**12.1**	14.8	77.7
Earnings per share			
Basic	**0.25**	0.30	1.59
Diluted	**0.24**	0.30	1.59
Total current assets	**322.1**	259.9	265.9
Total assets	**574.1**	490.8	444.5
Total current liabilities	**156.4**	105.5	122.9
Total non-current liabilities	**121.3**	106.3	60.8

The Canadian retail marketplace reflects consumers shopping behaviours that include in-store purchases and online shopping. The Company's omnichannel strategy includes investing in both store locations and e-commerce. While most of the Company's capital investments were focused on store locations during fiscal 2025, the Company has invested in and will continue to invest in improvements in its distribution centre and technology to enhance the customers' online and in-store experiences. The Company is well positioned in an omnichannel shopping environment with a store portfolio that is located in highly desirable malls and power centres across Canada supported by a competitive e-commerce offering.

Due to the significance of merchandise acquired using U.S. dollars, the value of the Canadian dollar vis-à-vis the U.S. dollar is a significant factor that can impact profitability of the Company's retail operations. A focus on improved sourcing practices and reducing costs, while maintaining a value proposition for customers, along with managing foreign exchange market risks allows the Company to mitigate the negative impact. As described under the section titled "Foreign Exchange Contracts", the Company enters into foreign exchange forward contracts to hedge a portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance and it continues to use spot purchases of U.S. dollars to meet its merchandise commitments.

Net Revenues

In fiscal 2023, the Company benefitted from increased customer traffic in stores and higher average transaction value, and less markdowns and promotional discounting contributed to the increase in net revenues. Net revenues were exceptional, due to the lifting of government-imposed temporary lockdowns, as the Company leveraged pent-up customer demand for work and social gathering apparel and successfully drove compelling marketing campaigns.

In fiscal 2024, the Company believes that higher interest rates and inflation overall compared to fiscal 2023 negatively impacted consumer spending during fiscal 2024. Decreased customer traffic both in stores and on-line, a decrease of 13 retail stores, lower average transaction values and increased markdowns and promotional discounting contributed to the decrease in net revenues.

In fiscal 2025, continued decreases in customer traffic in-store and on-line have contributed to overall decrease in net revenues. The Company limited its use of markdowns and promotional activity in fiscal 2025 to drive net revenues, and despite the gradual decrease in interest rates and inflation, customer spending remained limited.

Gross Profit

Overall, the Company’s gross profit over the past three fiscal years have been primarily impacted by the value of the Canadian dollar in relation to the U.S. dollar and promotional and markdown activities. In fiscal 2025, the Company limited its markdowns and promotional activity resulting in an increased gross profit, despite one less week of operations as compared with fiscal 2024.

During fiscal 2024, gross profit decreased compared to fiscal 2023 due to higher markdowns and promotional activity combined with the continued weakness of the Canadian dollar resulting in higher merchandise costs as virtually all merchandise payments are settled in U.S. dollars, whereas, during fiscal 2023, the comparable strength of the Canadian dollar had resulted in lower merchandise costs.

In fiscal 2023, the Company’s gross profit increased over fiscal 2022 due to higher sales, lower promotional discounting and lower overall supply chain costs, partially offset by an unfavorable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Summary

During the past three years, despite the tough inflationary and interest rate market conditions, and a gradual decrease in the value of the Canadian dollar in relation to the U.S. dollar, the Company continued to maintain its gross profit as a percentage of net revenues and generate positive net earnings.

In fiscal 2023, the Company leveraged pent-up demand for work and social gathering apparel, and successfully drove compelling marketing campaigns that led to a 47.6% increase in store traffic and an 8.9% increase in e-commerce traffic year over year. In fiscal 2024, higher interest rates and inflation overall compared to fiscal 2023 negatively impacted consumer spending resulting in a decrease in net revenues, gross profit and net earnings. Despite the continuation of tough economic and market conditions in fiscal 2025, the Company generated gross profit of $435.0 million ($431.0 million in fiscal 2024) and net earnings of $12.1 million ($14.8 million in fiscal 2024).

The Company increased its working capital[1] position by $11.3 million, from $154.4 million as at the end of fiscal 2024 to $165.7 million as at the end of fiscal 2025. The Company had no long-term debt (other than lease liabilities). As at February 1, 2025, included in the Company's current assets is cash of $158.1 million (February 3, 2024 - $116.7 million) and the Company had no drawings on its revolving credit facility for the past two fiscal years.

[1] This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures & Supplementary Financial Measures" for a reconciliation of this measure.

As at the end of fiscal 2025, inventory levels were higher as compared to the end of fiscal 2024 primarily due to a higher number of merchandise units related to the upcoming spring selling season. As at the end of fiscal 2024, inventory levels were lower as compared to the end of fiscal 2023 due primarily to a lower number of stores in the Company's store network, and a lower number of merchandise units on hand compared to the end of fiscal 2023. As at the end of fiscal 2023, inventory levels were higher as compared to the end of fiscal 2022 due primarily to higher merchandise costs and a higher number of merchandise units in order to meet the anticipated customer demand in the spring selling season.

The Company's capital expenditures, on a cash basis, were $10.7 million in fiscal 2023, $17.7 million in fiscal 2024 and $31.2 million in fiscal 2025. In fiscal 2025, the Company increased its spending primarily on new stores, store renovations, modernization of its distribution centre capabilities, store-level point-of-sales hardware and corporate hardware and software investments.

OPERATING RESULTS FOR FISCAL 2025 COMPARED TO FISCAL 2024

	Fiscal 2025	Fiscal 2024	$ Change	% Change
Net revenues	**$ 773.8**	$ 794.7	$ (20.9)	(2.6)%
Cost of goods sold	**338.8**	363.7	(24.9)	(6.8)%
Gross profit	**435.0**	431.0	4.0	0.9%
Gross profit %	**56.2%**	54.2%		
Selling, general and administrative expenses[1]	**417.2**	408.1	9.1	2.2%
Results from operating activities	**17.8**	22.9	(5.1)	(22.3)%
Net finance costs	**(1.9)**	(2.8)	0.9	32.1%
Earnings before income taxes	**15.9**	20.1	(4.2)	(20.9)%
Income tax expense	**(3.8)**	(5.3)	1.5	28.3%
Net earnings	**$ 12.1**	$ 14.8	$ (2.7)	(18.2)%
Adjusted EBITDA[2]	**$ 25.4**	$ 29.2	$ (3.8)	(13.0)%
Earnings per share:				
Basic	**$ 0.25**	$ 0.30	$ (0.05)	(16.7)%
Diluted	**0.24**	0.30	(0.06)	(20.0)%

[1] In order to align to presentation in the industry, previously captioned selling, distribution and administrative expenses for fiscal 2024 are now captioned as selling, general and administrative expenses.

[2] This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures and Supplementary Financial Measures" for reconciliations of these measures.

Net Revenues

Net revenues for fiscal 2025 decreased by $20.9 million, or 2.6%, to $773.8 million. Comparable sales[1], which include e-commerce net sales, decreased 0.6% during the fiscal 2025. The decrease in net revenues was primarily due to a decrease of three retail stores and one additional week of net revenues of $10.0 million in fiscal 2024. The decrease in comparable sales was primarily due to the decrease in e-commerce net revenues, partially offset by increased sales dollars per transaction at retail stores, despite three less retail stores compared to fiscal 2024. Higher interest rates and inflation overall that negatively impacted consumer spending during fiscal 2024 remained prevalent in fiscal 2025.

The breakdown of net revenues was as follows:

	Fiscal 2025		Fiscal 2024		$ Change	% Change
Retail stores	**$ 571.5**	**73.9%**	$ 576.9	72.6%	$ (5.4)	(0.9)%
E-commerce	**202.3**	**26.1%**	217.8	27.4%	(15.5)	(7.1)%
Net revenues	**$ 773.8**	**100.0%**	$ 794.7	100.0%	$ (20.9)	(2.6)%

[1] This is a supplementary financial measure. See section entitled "Supplementary Financial Measures".

Gross Profit

Gross profit for fiscal 2025 increased $4.0 million to $435.0 million as compared with $431.0 million for fiscal 2024, despite the decrease in net revenues and the inclusion of a 53rd week (instead of the normal 52 weeks) in fiscal 2024 of $5.5 million. Gross profit as a percentage of net revenues for fiscal 2025 increased to 56.2% from 54.2% for fiscal 2024. The increase both in gross profit and as a percentage of net revenues is primarily attributable to fewer markdowns and promotional activity in fiscal 2025. The foreign exchange impact from U.S. dollar denominated purchases included in cost of goods sold remained consistent year-over-year from fiscal 2024 to fiscal 2025.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses of $417.2 million for fiscal 2025 increased by $9.1 million or 2.2%, as compared to fiscal 2024 primarily attributable to the following:

- the majority of previous preferential rent arrangements have been renewed at closer to market lease rates resulting in an increase of $5.1 million on depreciation on right-of-use assets in fiscal 2025;
- a $3.6 million increase in software expenses from Company's investment in cloud service providers and e-commerce initiatives;
- despite the reduction in the number of retail stores from 393 to 390 in fiscal 2025, store operating costs increased primarily due to higher store personnel costs;
- a $1.2 million increase in performance incentive plan expense in fiscal 2025 for meeting certain performance targets;
- a $0.4 million increase in administration costs related to the windup and settlement of the Company's defined benefit pension plan;
- $0.5 million related to contract termination costs on discontinued projects;
- a $0.9 million non-recuring pension curtailment gain recognized in fiscal 2024;

  partially offset by,

- selling, general and administrative expenses of $4.4 million attributed to the additional week of operations included in fiscal 2024;
- a decrease in e-commerce shipping costs due primarily to a decrease in online orders fulfilled during fiscal 2025 as compared to fiscal 2024.

Net Finance Costs

Net finance costs were $1.9 million for fiscal 2025 as compared to $2.8 million for fiscal 2024. The decrease of $0.9 million is primarily attributable to a $0.6 million increase in interest income earned on funds held with a Canadian financial institution, $1.6 million higher foreign exchange gain and a $1.0 million loss on foreign currency translation differences from the wind-up of a foreign operation for fiscal 2024, partially offset by higher interest expense of $2.4 million related to lease liabilities.

Income Taxes

Income tax expense for fiscal 2025 amounted to $3.8 million for an effective tax rate of 23.7% as compared with 26.4% for fiscal 2024. The effective tax rate for fiscal 2025 was primarily impacted by the difference in tax rate related to the operations of a foreign subsidiary and non-deductible permanent differences.

Net Earnings

Net earnings for fiscal 2025 was $12.1 million ($0.25 basic and $0.24 diluted earnings per share) as compared with $14.8 million ($0.30 basic and diluted earnings per share) for fiscal 2024. The decrease in net earnings of $2.7 million is primarily attributable to the increase in selling, general and administrative expenses, as noted above.

Adjusted EBITDA

Adjusted EBITDA for the fiscal 2025 was $25.4 million as compared to $29.2 million for fiscal 2024. The decrease of $3.8 million is primarily attributable to the increase in selling, general and administrative expenses, as noted above.

OPERATING RESULTS FOR THE FOURTH QUARTER OF 2025 COMPARED TO THE FOURTH QUARTER OF 2024

	Fourth Quarter of 2025	Fourth Quarter of 2024	$ Change	% Change
Net revenues	**$ 204.8**	$ 221.0	$ (16.2)	(7.3)%
Cost of goods sold	**98.6**	106.1	(7.5)	(7.1)%
Gross profit	**106.2**	114.9	(8.7)	(7.6)%
Gross profit %	**51.9%**	52.0%		
Selling, general and administrative expenses[1]	**112.6**	114.4	(1.8)	(1.6)%
Results from operating activities	**(6.4)**	0.5	(6.9)	n/a
Net finance income (costs)	**0.2**	(0.7)	0.9	n/a
Loss before income taxes	**(6.2)**	(0.2)	(6.0)	n/a
Income tax recovery	**2.0**	0.2	1.8	n/a
Net (loss) earnings	**$ (4.2)**	$ 0.0	$ (4.2)	n/a
Adjusted EBITDA[2]	**$ (2.6)**	$ 1.7	$ (4.3)	n/a
Earnings per share:				
Basic	**$ (0.08)**	$ 0.00	$ (0.08)	n/a
Diluted	**(0.08)**	0.00	(0.08)	n/a

[1] In order to align to presentation in the industry, previously captioned selling, distribution and administrative expenses for Fiscal 2024 are now captioned as selling, general and administrative expenses.
[2] This is a Non-GAAP Financial Measure. See section entitled “Non-GAAP Financial Measures and Supplementary Financial Measures” for reconciliations of these measures.

Net Revenues

Net revenues for the fourth quarter of 2024 decreased by $16.2 million, or 7.3%, to $204.8 million compared to the fourth quarter of fiscal 2024, which included an additional week of net revenues of $10.0 million. Comparable sales[1], which include e-commerce net sales, decreased 0.2% during the fourth quarter of 2025. The decrease in net revenues and comparable sales was primarily due to fewer retail stores, less e-commerce traffic and higher markdowns and promotional activity.

The breakdown of net revenues was as follows:

	Fourth Quarter of 2025		Fourth Quarter of 2024		$ Change	% Change
Retail stores	**$ 141.6**	**69.2%**	$ 150.3	68.0%	$ (8.7)	(5.8)%
E-commerce	**63.2**	**30.8%**	70.7	32.0%	(7.5)	(10.6)%
Net revenues	**$ 204.8**	**100.0%**	$ 221.0	100.0%	$ (16.2)	(7.3)%

[1] This is a supplementary financial measure. See section entitled “Supplementary Financial Measures”.

Gross Profit

Gross profit for the fourth quarter of 2025 decreased $8.7 million to $106.2 million as compared with $114.9 million for the fourth quarter of 2024, which included an additional week of gross profit of $5.5 million. Gross profit as a percentage of net revenues for the fourth quarter of 2024 decreased to 51.9% from 52.0% for the fourth quarter of 2024. The decrease in gross profit and decrease in gross profit as a percentage of net revenues is primarily due to increased markdowns and promotional activity, and an unfavorable foreign exchange impact of $1.7 million on U.S. dollar denominated purchases as compared with the fourth quarter of fiscal 2024.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses of $112.6 million for the fourth quarter of 2025 decreased by $1.8 million or 1.6%, as compared to the fourth quarter of 2024, primarily attributable to the following:

- decreased selling, general and administrative expenses of $4.4 million attributed to the additional week of operations included in the fourth quarter of fiscal 2024;
- a decrease of $1.8 million in e-commerce shipping costs due to a decrease in online orders fulfilled during the fourth quarter of 2025;

  partially offset by,

- a $1.5 million increase in software expenses from Company's investment in cloud service providers and e-commerce initiatives;
- a $1.2 million increase in pension costs related to additional administrative costs and a settlement loss related to the windup and dissolution of the pension plan in the fourth quarter of fiscal 2025;
- $0.5 million related to contract termination costs on discontinued projects;
- an increase in depreciation on right-of-use assets of $0.3 million due to the majority of previous preferential rent arrangements being renewed at closer to market lease rates.

Net Finance Income (Costs)

Net finance income was $0.2 million for the fourth quarter of 2025 as compared to net finance costs of $0.7 million for the fourth quarter of 2024. The increase of $0.9 million in net finance income is primarily attributable to a higher foreign exchange gain of $1.4 million on U.S. denominated net monetary assets, partially offset by a $0.3 million decrease in interest income earned on funds held with a Canadian financial institution for the fourth quarter of 2025.

Income Taxes

Income tax recovery for the fourth quarter of 2025 amounted to $2.0 million as compared with $0.2 million for the fourth quarter of fiscal 2024. The effective tax rate for the fourth quarter of 2025 and 2024 was primarily impacted by the difference in tax rate related to the operations of a foreign subsidiary and non-deductible permanent differences.

Net (Loss) Earnings

The Company recognized a net loss of $4.2 million for the fourth quarter of 2025 ($0.08 basic and diluted loss per share) as compared with net earnings of nil ($0.00 basic and diluted earnings per share) for the fourth quarter of 2024. The decrease in net earnings of $4.2 million is primarily attributable to the decrease in gross profit, as noted above.

Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of 2025 was $(2.6) million as compared to $1.7 million for the fourth quarter of 2024. The decrease of $4.3 million is primarily attributable to the decrease in gross profit, as noted above.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forward contracts to hedge a portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. The Company's policy is to satisfy up to 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward contracts, with any additional requirements being met through spot U.S. dollar purchases.

Details of the foreign exchange contracts outstanding, all of which are designated as cash flow hedges, are as follows:

	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
February 1, 2025	**$ 1.347**	**$ 134.0**	**$ 12.3**	**$ -**	**$ 12.3**
February 3, 2024	$ 1.328	$ 90.0	$ 1.4	$ -	$ 1.4

SUMMARY OF QUARTERLY RESULTS

The results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. The table below presents selected consolidated financial data for the eight most recently completed quarters. All references to "2025" are to the Company's fiscal year ended February 1, 2025 and "2024" are to the Company's fiscal year ended February 3, 2024.

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Net revenues	$ 204.8	$ 221.0	$ 187.7	$ 193.4	$ 215.5	$ 214.6	$ 165.7	$ 165.7
Net (loss) earnings	(4.2)[1]	0.0	2.1[2]	5.3	15.8	13.4[3]	(1.5)	(3.8)
(Loss) earnings per share								
Basic	$ (0.08)[1]	$ 0.00	$ 0.04[2]	$ 0.11	$ 0.32	$ 0.27[3]	$ (0.03)	$ (0.08)
Diluted	(0.08)[1]	0.00	0.04[2]	0.11	0.32	0.27[3]	(0.03)	(0.08)

[1] During the fourth quarter of 2025, net loss includes a pension settlement loss of $1.2 million.

[2] During the third quarter of 2025, net earnings include a pension settlement gain of $0.8 million.

[3] During the second quarter of 2024, net earnings include a pension curtailment gain of $0.9 million.

OUTLOOK

The Company plans to reach $1 billion in annual net revenues and Adjusted EBITDA[1] of $60-70 million by the end of fiscal 2030[2]. The Company expects to invest over $100 million over the next five years on capital projects focused on growth, including expanded and optimized stores and modernized operations.

[1] This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures & Supplementary Financial Measures for a reconciliation of these measures.

[2] See "Forward-Looking Statements".

BALANCE SHEET

Selected line items from the Company's consolidated balance sheets as at February 1, 2025 and February 3, 2024 are presented below:

	2025	2024	$ Change	% Change
Cash	**$ 158.1**	$ 116.7	$ 41.4	35.5%
Trade and other receivables	**6.1**	3.5	2.6	74.3%
Derivative financial asset	**12.3**	1.4	10.9	n/a
Inventories	**132.9**	122.0	10.9	8.9%
Prepaid expenses and other assets	**12.7**	16.3	(3.6)	(22.1)%
Property and equipment & intangible assets	**90.8**	71.2	19.6	27.5%
Right-of-use assets	**140.1**	131.5	8.6	6.5%
Pension asset	**-**	1.1	(1.1)	(100.0)%
Deferred income taxes	**21.1**	27.0	(5.9)	(21.9)%
Trade and other payables	**109.7**	61.8	47.9	77.5%
Deferred revenue	**12.4**	11.9	0.5	4.2%
Income taxes payable	**0.2**	0.4	(0.2)	(50.0)%
Lease liabilities (current and non-current)	**155.4**	137.6	17.8	12.9%

Changes at February 1, 2025 as compared to February 3, 2024 were primarily due to the following:

- cash increased $41.4 million primarily due to cash generated from operations, the timing of payments to certain vendors due to increased payment terms and the timing of lease payments based on the due date of the 1st day of the calendar month;
- trade and other receivables increased primarily due to higher credit card receivables as at February 1, 2025 as compared to as at February 3, 2024;
- derivative financial asset increased due to the mark-to-market adjustment on foreign exchange forward contracts outstanding as at February 1, 2025 compared to February 3, 2024;
- the increase in inventories is largely attributable to a higher quantity of merchandise for the upcoming spring selling season as at February 1, 2025 compared to February 3, 2024;
- the decrease of $3.6 million in prepaid expenses and other assets is primarily due to the decrease in deposits paid to merchandise-related suppliers;
- property and equipment & intangible assets increased by $19.6 million. During fiscal 2025, $31.2 million had been spent primarily on new stores, store renovations, distribution centre enhancements and store point-of-sale hardware and software investments. Depreciation and amortization of $13.2 million and a net impairment of $1.2 million on property and equipment and intangible assets were recognized in fiscal 2025 ($13.2 million of depreciation and amortization and a net impairment of $1.0 million on property and equipment and intangible assets were recognized in fiscal 2024);
- right-of-use assets represent the right-to-use the retail stores and certain equipment over their lease terms. Right-of-use assets increased by a net $8.6 million primarily due to longer-term lease renewals signed during fiscal 2025. Depreciation and amortization of $39.4 million was recognized in fiscal 2025 ($34.3 million of depreciation and amortization was recognized in fiscal 2024). No impairment charges were recognized in fiscal 2025 and fiscal 2024;
- pension asset decreased by $1.1 million due to the windup and dissolution of the Company's defined benefit pension plan effective June 30, 2024. As at February 1, 2025, all obligations related to the windup had been settled.

- deferred incomes taxes decreased by $5.9 million primarily due to the utilization of losses carried forward and the net reversal of deductible temporary differences. Deferred income tax assets are generated from temporary differences and operating losses carried forward relating to Canadian operations;
- trade and other payables increased by $47.9 million primarily due to the timing of payments related to trade, sales tax and personnel-related liabilities (including performance incentive plan awards), and the increase of payment terms with certain merchandise-related suppliers;
- income taxes payable consists of estimated net tax liabilities of a foreign subsidiary. The decrease of $0.4 million in income taxes payable is primarily due to timing of tax payments;
- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During fiscal 2025, lease liabilities increased by lease additions of $49.5 million and interest expense of $10.0 million, offset by payments of $40.3 million and lease terminations of $1.4 million.

OPERATING RISK MANAGEMENT

Economic Environment

Economic factors that influence consumer-spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions.

Competitive Environment

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. Presently, there is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian consumers have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. The Company's stores, located throughout Canada, offer affordable fashions to consumers. The Company also offers an e-commerce alternative for shoppers through each of the banner's websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company continues to invest in its e-commerce websites and social media channels to drive consumers to its websites and believes that it is positioned well to compete in this environment.

Distribution and Supply Chain

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. global supply chain delays, natural disaster, system failures, destruction or major damage by fire), could materially delay or impair the Company's ability to replenish its stores on a timely, cost-efficient basis or satisfy e-commerce demand causing a loss of sales and potential dissatisfaction amongst its customers, which could have a significant effect on the results of operations.

Loyalty Programs

The Company's loyalty programs are a valuable offering to customers and provide a key marketing tool for the business. The marketing, promotional and other business activities related to possible changes to the loyalty programs must be well managed and coordinated to preserve positive customer perception. Any failure to successfully manage the loyalty programs may negatively affect the Company's reputation and financial performance.

Leases

All of the Company's stores are held under leases, most of which can be renewed for additional terms at the Company's option. Any factor that would have the effect of impeding or affecting, in a material way, the Company's ability to lease prime locations, re-lease and/or renovate existing profitable locations, or delay the Company's ability to close undesirable locations could adversely affect the Company's operations.

Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Company's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Company may decrease mall traffic, including economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, restrictions on customer capacity in stores resulting from future pandemic health protocols, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Company's financial condition and operating results.

Natural Disasters, Adverse Weather, Pandemic Outbreaks, Boycotts and Geopolitical Events

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather, pandemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during the Company's peak selling seasons.

These events could result in physical damage to one or more of the Company's properties, increases in fuel or other energy prices, the temporary or permanent closure of its distribution centre or of one or more of its stores, delays in opening new stores, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transportation of goods from overseas, delays in the delivery of goods to the distribution centre or stores, the temporary reduction in the availability of products in stores, the temporary reduction of store traffic and disruption to information systems. These factors could materially adversely affect the Company's business and financial results.

Outbreaks of pandemics in the future can have an impact on consumer shopping patterns and behaviors, cause supply chain disruptions and result in government-imposed containment protocols that would have negative consequences to the Company.

Information Technology

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company continues to undertake investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in or the hacking of the Company's IT systems in general could result in a lack of accurate data or the inability of management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision-making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Company.

Laws and Regulations

The Company is structured in a manner that management considers most effective to conduct its business. The Company is subject to material and adverse changes in government regulation that might affect income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the production of raw materials and the manufacturing of merchandise by our suppliers, the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax and other audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, authorities may disagree with the positions and conclusions taken by the Company. Laws could be amended or interpretations of current laws could change, any of which events could lead to penalties and reassessments, which could have a material impact on the Company's financial position, operating results or cash flows in future periods.

Environmental, Social, Governance, ("ESG") or Sustainability Responsibilities

Investors, shareholders, customers and employees have focused increasingly on the environmental, social and governance ("ESG") practices of companies, including those associated with climate change. If the Company's ESG practices fall short of stakeholder expectations and as they continue to evolve, our brand, reputation and employee retention may be negatively impacted. As such, the possibility exists that stakeholders may not be satisfied with the Company's ESG practices or the speed of their adoption. The Company could also incur additional costs and require additional resources to monitor, report, and comply with various ESG expectations and requirements. Also, the Company's failure, or perceived failure to do so could negatively impact our reputation, employee retention, and the willingness of our clients and suppliers to do business with the Company. The Company has established an ESG team to develop its ESG strategies.

Merchandise Sourcing

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports over 90% of its merchandise, largely from Asia. Although most of the raw material used in the manufacturing of our merchandise is sourced from China, there is a variety of alternative international manufacturing sources for virtually all of the Company's merchandise and, in fiscal 2025, no supplier represented more that 10% of the Company's purchases (in dollars or units). The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis. Future supply chain issues could have negative financial consequences to the Company.

The Company is committed towards responsible business standards and ethical sourcing principles. The Company continues to make efforts to conduct its business in accordance with ethical business practices and in compliance with the laws of the countries in which its suppliers operate. The Company has sourcing guidelines and other business practices to help ensure that its suppliers do not engage in child or forced labour practices and that they comply with applicable laws and regulations. However, as independent third parties are not under the control of the Company, there is no guarantee that Company's suppliers will not undertake actions in violation of the Company's guidelines, or applicable laws and regulations, that may adversely impact the Company's reputation. Consequently, the Company reserves the right to terminate its relationship with any supplier, and will not initiate a relationship with any prospective supplier where material social and labour compliance risks have been identified. When instances of non-compliance are identified with its suppliers, the Company requires that immediate action be taken to correct the situation; otherwise, the supplier will be prohibited from doing business with the Company. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

Cyber Security, Privacy and Protection of Personal Information

The Company is subject to various laws regarding the protection of personal information of its customers and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees, vendors, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyber attacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third-party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third-party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third-party service providers' security measures, which could result in a breach of employee, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cyber security incidents, or the Company's or its third-party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of existing customers or failure to attract new customers; the loss of sales; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Legal Proceedings

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve landlords, suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain and could result in a material adverse effect on the Company's reputation, operations or financial condition or performance.

Merchandising, Electronic Commerce and Disruptive Technologies

The Company may have inventory that customers do not want or need, is not reflective of current trends in customer tastes, habits or regional preferences, is priced at a level customers are not willing to pay or is late in reaching the market. In addition, the Company's operations, specifically inventory levels, sales, volume and product mix, are impacted to some degree by seasonality, including certain holiday periods in the year. If merchandising efforts are not effective or responsive to customer demand, it could adversely affect the Company's financial performance.

Customers expect innovative concepts and a positive customer online experience, including a user-friendly website, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Company's ability to grow its e-commerce business could be adversely affected. The Company's omnichannel strategy entails digital customer experience investments, but there can be no assurances that the Company will be able to recover the related costs incurred.

The retail landscape demands an efficient and seamless digitally influenced shopping experience. The emergence of disruptive technologies and the effect of increasing digital advances could have an impact on the physical space requirements of retail businesses. Although the importance of a retailer's physical presence has been demonstrated, the size requirements and locations may be subject to further disruption. Any failure to adapt the business models to recognize and manage this shift in a timely manner could adversely affect the Company's operations or financial performance.

Key Management and Ability to Attract and/or Retain Key Personnel

The Company's success depends upon the continued contributions of key management, some of whom have unique talents and experience and would be difficult to replace in the short term. The loss or interruption of the services of a key executive could have a negative effect on the Company during the transitional period that would be required for a successor to assume the responsibilities of the key management position. The Company's success will also depend on the ability to attract and retain other key personnel. The Company may not be able to attract or retain these employees, which could negatively affect the business.

FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company may periodically use derivative instruments to offset certain of these risks. The Company's policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions that could adversely affect the financial performance of the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade and other receivables. The Company limits its exposure to credit risk with respect to cash by dealing with major Canadian financial institutions. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Company's activities and the low credit risk of the Company's trade and other receivables as at February 1, 2025 and February 3, 2024, expected credit loss on these financial assets is not significant.

As at February 1, 2025, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	$	158.1
Trade and other receivables		6.1
	$	**164.2**

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. Cash flows provided by operations and funds available from the revolving credit facility will be sufficient to meet the Company's operational requirements and financial obligations. The majority of trade and other payables are payable within twelve months.

For fiscal 2025, the Company realized net earnings of $12.1 million. As at February 1, 2025, the Company's current assets total $322.1 million and current liabilities total $156.4 million. The Company has a senior secured revolving credit facility with a Canadian financial institution for an amount of up to $50.0 million. As of February 1, 2025, no amount was drawn under the revolving credit facility (February 3, 2024 - nil). Refer to Note 10 in the audited consolidated financial statements for fiscal 2025.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency forward contracts, normally not to exceed twelve months, and U.S. dollar spot rate purchases. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in the effective portion of the changes in fair value for qualifying hedging instruments, being recorded as a component of other comprehensive income, until it is recognized as a cost of inventory or reclassified to net earnings upon transfer from Accumulated Other Comprehensive Income.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of U.S.$23.1 million, trade and other receivables of U.S. $0.1 million and trade payables of U.S. $19.8 million to determine how a change in the U.S. dollar exchange rate would affect net earnings. On February 1, 2025, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $0.4 million increase or decrease, respectively, in the Company's net earnings for fiscal 2025.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 1, 2025, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $6.5 million decrease or $6.7 million increase, respectively, in the Company's other comprehensive income for fiscal 2025.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and its revolving credit facility. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash that are invested mainly with major Canadian financial institutions and interest paid on outstanding balances of the revolving credit facility.

The Company has performed a sensitivity analysis on interest rate risk related to interest income earned on its cash as at February 1, 2025 to determine how a change in interest rates would impact net earnings. For fiscal 2025, the Company earned interest income of $5.8 million on its cash. An increase or decrease of 100 basis points in the average interest rate earned during the year would have resulted in a $0.9 million increase or decrease, respectively, in the Company's net earnings. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company did not incur interest expense on its revolving credit facility for fiscal 2025.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements and capital expenditures. As at February 1, 2025, compared to February 3, 2024, the Company increased its working capital[1] position by $11.3 million with current assets of $322.1 million (February 3, 2024 - $259.9 million) and current liabilities of $156.4 million (February 3, 2024 - $105.5 million) and no long-term debt (other than lease liabilities). As at February 1, 2025, included in the Company's current assets is cash of $158.1 million (February 3, 2024 - $116.7 million). Cash is held in interest bearing accounts mainly with a major Canadian financial institution.

The Company has a senior secured revolving credit facility with a Canadian financial institution of up to $50.0 million. If and when necessary, this committed facility is used to finance the ongoing operations of the Company. No amount was drawn under the revolving credit facility as at February 1, 2025 and February 3, 2024.

In fiscal 2025, the Company invested $31.2 million in capital expenditures. The Company expects to invest approximately $30.0 million in capital expenditures in fiscal 2026. The Company's capital allocation strategy focuses on three main investment areas:

1. Store renovations to ensure the existing network of retail stores remains current and relevant, and in new retail stores as suitable locations are identified;
2. Technology, by continuing to upgrade systems by migrating legacy systems to modern cloud service providers and the omnichannel network, including in-store point-of-sale systems and ecommerce digital capabilities;
3. Distribution centre improvements, including upgrading, optimizing and automating distribution capabilities.

[1] This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures & Supplementary Financial Measures" for a reconciliation of this measure.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments as at February 1, 2025:

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Trade and other payables	$ 109.7	$ 109.7	$ -	$ -
Lease obligations[1]	185.9	44.4	92.2	49.3
Purchase obligations[2]	120.5	108.5	11.4	0.6
Other service contracts	4.4	2.3	2.1	-
Total contractual obligations	**$ 420.5**	**$ 264.9**	**$ 105.7**	**$ 49.9**

[1] Represents the undiscounted minimum lease payments for leases of retail locations and office equipment.

[2] Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.

Subsequent to February 1, 2025, the Board of Directors of the Company approved the adoption of a Deferred Share Unit ("DSU") plan available to non-employee members of the Board of Directors. In accordance with the DSU plan, the number of DSUs granted by the Board of Directors is based on the market value of the Company's Class A non-voting shares for the five-trading day-period ending the day before the grant date. DSUs become redeemable for cash at the time when an eligible Director ceases to be a Director of the Company for an amount based on the market value of the Company's Class A non-voting shares at the redemption date.

OUTSTANDING SHARE DATA

At April 10, 2025, 13,440,000 Common shares and 35,998,789 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. As at April 10, 2025, the Company has a total of 2,560,119 share options outstanding at a weighted average exercise price of $2.12. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

On July 31, 2024, the Company received approval the TSX Venture Exchange to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company may acquire up to an aggregate of 3,283,582 Class A non-voting shares of the Company ("Shares") over the 12-month period commencing on August 5, 2024, and ending on August 4, 2025, representing approximately 10% of the public float of the Shares. Additionally, under the NCIB, the Company may not acquire more than 2% of the public float of the Shares, representing 718,326 Shares, in any 30-day period.

In connection with the NCIB, the Company entered into an automatic share purchase plan ("ASPP") with a designated broker to facilitate the purchase of Shares under the NCIB during times when the Company would ordinarily not be permitted to purchase Shares during self-imposed blackout periods. During fiscal 2025, under the NCIB and ASPP, the Company purchased for cancellation 181,900 Shares for an aggregate cash consideration of $0.5 million.

As at February 1, 2025, a financial liability of $2.2 million representing the maximum value of Shares authorized to be repurchased by the designated broker under the ASPP during self-imposed blackout periods was recognized in trade and other payables. Subsequent to February 1, 2025, under the terms and conditions of the NCIB, the Company purchased for cancellation 136,300 Shares for an aggregate cash consideration of $0.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead-time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward contracts with maturities generally not exceeding twelve months and are normally designated as cash flow hedges.

Details of the foreign exchange contracts outstanding as at February 1, 2025 and February 3, 2024 are included in the "Foreign Exchange Contracts" section of this MD&A.

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management personnel are those persons (both executive and non-executive) who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. The Board of Directors (which includes the Chief Executive Officer and President) has the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The members of the Board of Directors participate in the share option plan, as described in Note 14 to the audited consolidated financial statements for fiscal 2025.

During fiscal 2025, the Company incurred $2.7 million (fiscal 2024 - $2.6 million) in compensation expenses for key management personnel consisting of salaries, directors' fees and short-term benefits.

Other Related-Party Transactions

The Company incurred $0.2 million in fiscal 2025 (fiscal 2024 - $0.3 million) for legal services rendered by a law firm connected to a member of the Board of Directors.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company uses its cash resources and its credit facilities to fund ongoing working capital needs along with capital expenditures. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade and other receivables. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions.

The volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange contracts, this volatility can result in exposure to risk.

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 22 of the audited consolidated financial statements for fiscal 2025.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the 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, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management has made significant judgments in connection with the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Key Sources of Estimation Uncertainty

Pension Plan

The cost of the Company’s defined benefit pension plan is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases and mortality rates. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

Gift Cards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. Breakage is an estimate of the amount of gift cards that will never be redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. The breakage rate is reviewed on an ongoing basis and is estimated based on historical redemption patterns.

Inventories

Inventories are comprised of finished goods and are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. The Company has developed assumptions regarding the quantity of merchandise to be sold below cost based on historical pattern of sales. In addition, as part of inventory valuations, provisions are accrued for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Impairment of Non-Financial Assets

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Impairment testing is performed whenever there is an indication of impairment. Significant management estimates are required to determine the recoverable amount of the cash-generating unit (“CGU”) including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether property and equipment, right-of use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

Leases

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change.

Critical Judgments in Applying Accounting Policies

Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, Operating Segments, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. As at February 1, 2025, the Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, PENN. and RW&CO.

Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The CODM reviews the profitability of the banner as a whole, which includes both the store and e-commerce channels. This is consistent with the omni-channel strategy adopted by the Company whereby customers can shop seamlessly in retail stores and online. The Company has aggregated its operating segments into one reportable segment because of their similar economic characteristics, customers (mainly female) and nature of products (mainly women's specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the women apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and information technology.

Leases

Management exercises judgment in determining the appropriate lease term on a lease-by-lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, including investments in major leaseholds and store performances. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew.

Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may influence management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and consolidated statements of earnings.

Deferred tax assets

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment using significant assumptions, including sales growth rates, as to whether there will be sufficient future taxable profits available against which they can be utilized.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED IN FISCAL 2025

New amendments to standards and interpretations not yet effective for fiscal 2025 for which earlier adoption was permitted have not been applied in preparing the audited consolidated financial statements for fiscal 2025. The amendments to standards and interpretations that are currently under review:

- *Presentation and Disclosure in Financial Statements* (IFRS 18)

Further information on this modification can be found in Note 3 of the audited consolidated financial statements for fiscal 2025.

ADOPTION OF NEW ACCOUNTING POLICIES

The new accounting policies set out below have been adopted in the audited consolidated financial statements for fiscal 2025:

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

Further information on these new accounting policies can be found in Note 3 of the audited consolidated financial statements for fiscal 2025.