DAVIDsTEA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the fiscal years ended January 31, 2026 and February 1, 2025

April 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DAVIDsTEA Inc. ("DAVIDsTEA" or the "Company") is a corporation incorporated under the Canada Business Corporations Act and domiciled in Canada. DAVIDsTEA's common shares trade on the TSX Venture Exchange under the symbol "DTEA". Unless the context otherwise requires, the terms "we", "our", "us", "DAVIDsTEA" and the "Company" refer to DAVIDsTEA Inc. and its wholly-owned subsidiary, DAVIDsTEA (USA) Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of DAVIDsTEA Inc. and its subsidiary should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company as at and for the fiscal years ended January 31, 2026 and February 1, 2025, which are available on the SEDAR+ website at www.sedarplus.ca. In preparing this MD&A, we have considered all information available to us up to April 29, 2026, the date of this MD&A.

All financial information contained in this MD&A and DAVIDsTEA's audited consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except for the Non-IFRS Financial Measures and Ratios described below. All monetary amounts shown in the tables in this MD&A are in thousands of Canadian dollars, except per share amounts.

The audited consolidated financial statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by our Board of Directors on April 29, 2026.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended January 31, 2026 are against results for the 13 weeks ended February 1, 2025, referred to herein as the "fourth quarter of Fiscal 2025" and the "fourth quarter of Fiscal 2024" respectively. All comparisons of results for the 52 weeks ended January 31, 2026 are against results for the 52 weeks ended February 1, 2025, referred to herein as "Fiscal 2025" and "Fiscal 2024" respectively.

The Company's fiscal year ends on the Saturday closest to January 31, typically resulting in a 52-week year, though occasionally a 53-week year. Fiscal years are designated, throughout this MD&A and the Consolidated Financial Statements, by the calendar year in which the fiscal year commenced.

Additional information about DAVIDsTEA, including the Company's audited consolidated financial statements, is available on the Company's website at www.davidstea.com and on the SEDAR+ website at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

This MD&A includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and there are, or may be deemed to be, "forward-looking statements" in this MD&A. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "expects", "may", "will", "should", "approximately", "intends", "plans", "estimates" or "anticipates" or, in each case, their negatives or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our store-led growth strategy and the opening of new retail locations, our multi-channel sales strategy including e-commerce, wholesale and brick-and-mortar channels, the expected benefits of our U.S. fulfillment model, our results of operations, financial condition, liquidity and prospects, and the impact of U.S.-Canada trade tensions, tariffs, and the broader global macroeconomic environment on our business.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking statements include:

- Our ability to successfully execute our store-led growth strategy, including opening new retail locations on anticipated timelines and achieving projected store economics;
- Our ability to recover U.S. sales volumes through our new fulfillment model and to adapt to the evolving U.S.-Canada trade environment, including changes to tariff regimes and the U.S. de minimis import rule;
- Our ability to successfully pivot our business towards evolving consumer preferences;
- Our ability to maintain and enhance our brand awareness within an omni-channel strategy;
- Our ability to attract and retain employees who are instrumental to growing a multi-channel business;
- Our ability to grow our sales from our various channels;
- Our ability to overcome changes in economic conditions, including a prolonged recessionary environment, or changes in the rate of inflation, employment rates or currency exchange rates;
- The impact of ongoing geopolitical tensions, including U.S.-Canada trade disputes, on our supply chain, cost structure, and cross-border operations;
- Significant competition within our industry;
- Our ability to obtain quality products from third-party manufacturers and suppliers on a timely basis, in sufficient quantities and at reasonable prices;
- Actual or attempted breaches of data security; and
- The seasonality of our business.

All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. These statements are based upon information available to the Company as of the date of this MD&A, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this MD&A might not occur, and investors are cautioned not to unduly rely upon these statements.

Forward-looking statements speak only as of the date of this MD&A and we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this MD&A, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this MD&A or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

While we believe these opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us, including the "Risk Factors and Uncertainties" detailed in this MD&A.

OVERVIEW

The Company offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories and gifts in North-America. Distribution channels include its e-commerce platform at www.davidstea.com, the Amazon Marketplace, its wholesale customers which include over 4,000 grocery stores and pharmacies and over 1,500 convenience stores in Canada and over 900 grocery stores in the United States, as well as 21 company-owned storefronts across Canada. The Company offers proprietary tea blends that are exclusive to the Company, as well as traditional single-origin teas and herbs. Our passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven “collections” with a mission of making tea fun and accessible to all.

Sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter due to the year-end holiday season and tend to be lowest in the second and third fiscal quarters because of lower customer engagement during the summer months.

BUSINESS UPDATE

Our actions are driven by the fervent desire to become the world's most innovative tea company — one that inspires greater wellness and sustainability through ethical tea sourcing, compostable and regenerative packaging, and genuine care for our community. Our omni-channel strategy is built to meet consumers where they are, driving loyalty and scaling the business without borders. We are focused on revenue growth, sustained profitability, and flawless execution — with an unwavering commitment to our customers and our shareholders.

Fiscal 2025 marked a meaningful turning point. Against a backdrop of macroeconomic uncertainty, shifting consumer behaviour, and the emergence of significant U.S.-Canada trade tensions, the Company delivered its first positive full-year net income in recent years — net income of $2.9 million compared to a net loss of $3.2 million in Fiscal 2024. EBITDA improved to $6.9 million from $0.4 million in the prior year, and Adjusted EBITDA reached $7.6 million or 12.4% of sales, achieving the low double-digit margin level the Company has been targeting. These results demonstrate that the operational restructuring of prior years has taken hold and that the business now has the margin structure and cost discipline to support sustained profitability — one the Company is committed to building on through the disciplined execution of its store-led growth strategy.

The foundation for this performance was built in Fiscal 2024, when the Company made significant progress on several strategic fronts. We opened two new stores in Quebec, expanded our wholesale footprint through a new agreement with Alimentation Couche-Tard — bringing our Tea-2-Go program to over 1,500 convenience store locations across Canada, and grew our U.S. wholesale presence to more than 900 grocery stores. Operationally, we exited our head office lease, entered a new warehouse lease to support fulfillment needs, and completed a full re-platforming of our technology infrastructure — ten critical applications, delivered on time and on budget, before our peak season.

In Fiscal 2025, the Company continued to build on that foundation. In November 2025, we completed a $3.0 million private placement to fuel our store-led growth strategy — the same strategy that drove our growth before the pandemic and that we believe represents the most compelling path to sustained profitability. In December 2025, we opened a new store in Laurier, Québec City, the first new store of Fiscal 2025 and a tangible step in our plan to return to the communities we once served. The private placement also included warrants that represent a source of additional capital should the pace of our store opening program require it. With four additional store openings in active planning for Fiscal 2026, the store-led growth strategy is now in motion.

We also took decisive action on our U.S. business. Trade tensions and tariff-related headwinds on cross-border e-commerce contributed to an 18.4% decline in U.S. sales in Fiscal 2025. In response, the Company commenced fulfillment of U.S. orders from a third-party logistics partner in Chicago on March 26, 2026. Shipping from within the United States is expected to improve the delivery experience for U.S. customers and support a recovery in U.S. sales in Fiscal 2026.

Subsequent to year-end, the Company completed the final step in a deliberate, multi-year consolidation of its operating footprint. What began with the strategic relocation of our administrative offices into a larger, purpose-selected facility in Mont-Royal, Québec, has culminated in the consolidation of all operations — administration, storage, and production — under a single, modernized roof. The transition is expected to be complete by July 1, 2026, reducing our combined occupied footprint while upgrading our production and assembly environment that meet SQF (Safe Quality Food) and HACCP (Hazard Analysis and Critical Control Points) requirements, and delivering meaningful occupancy cost savings.

The Company enters Fiscal 2026 with confidence — a proven cost structure, a clear growth strategy, the capital to execute it, a strengthened U.S. fulfillment model, and now a modernized operational home base. Management remains focused on disciplined execution, growing our product portfolio, and delivering value for all shareholders.

Properties

As at January 31, 2026, we operated the business from Mont-Royal, Québec across two leased facilities — an administrative office and storage warehouse of approximately 92,000 square feet, and a separate production and assembly facility of approximately 61,500 square feet — representing a combined footprint of approximately 153,500 square feet. Neither property is owned by the Company.

The path to consolidation was deliberate and planned well in advance. Several years ago, management identified a facility in Mont-Royal with an overall capacity of 159,000 square feet — one capable of housing all of the Company's operations under a single roof. We moved intentionally, first consolidating our administrative offices into the facility, occupying 9,800 square feet of office space alongside 82,000 square feet of storage. This gave us the flexibility to grow into the facility on our own terms, while preserving optionality for the step we always knew was coming.

With the lease on our separate production and assembly facility approaching its natural expiry on June 30, 2026, the Company entered into an agreement in April 2026 to modernize and expand its footprint within the existing facility to absorb all production and assembly operations. Effective July 1, 2026, the Company will operate from a single, unified location of 160,000 square feet — encompassing administration, storage, and a fully upgraded SQF and HACCP-qualified production and assembly environment.

The result is a meaningfully more efficient operating platform — fewer locations, no lease termination penalties, and a modern, food-safe production environment. More importantly, it reflects the kind of deliberate, long-horizon thinking that has characterized the Company's operational transformation over the past several years, and that provides a strong foundation for the growth ahead.

As of January 31, 2026, we operated 21 company-owned stores located in Canada consisting of approximately 17,000 gross square feet. All our stores are leased from third parties and the leases typically have between 5 and 10-year terms. Most leases for our retail stores provide for a minimum rent, typically including rent increases, plus a percentage rent based upon sales after certain minimum thresholds are achieved. The leases generally require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses.

Our stores are located in locations that support our brand image, targeting high customer traffic locations within malls. We regularly review our store portfolio and monitor existing locations for sufficient levels of customer traffic to maintain successful stores.

The following table summarizes the locations of our stores as of January 31, 2026, and reflects our anticipated store growth plans through fiscal 2027:

Canada	as at February 1, 2025	Fiscal 2025 Additions	as at January 31, 2026	Store-led Growth Plan: Fiscal 2026 Additions	Store-led Growth Plan: Expected at January 30, 2027
Alberta	3	—	3	1	4
British Columbia	1	—	1	1	2
Manitoba	1	—	1	—	1
New Brunswick	1	—	1	—	1
Ontario	5	—	5	2	7
Québec	9	1	10	—	10
Total	**20**	**1**	**21**	**4**	**25**

As part of our store-led growth strategy to deliver sustained, profitable revenue expansion, we are executing on the planned rollout of four new Canadian stores in fiscal 2026. We will open in Oshawa at Oshawa Centre in May 2026, followed by Mississauga at Square One Shopping Centre in July 2026. In the second half of the year, we will expand into Edmonton at Southgate Centre in October 2026 and Burnaby at Metropolis at Metrotown in early November 2026. These high-traffic, high-profile locations are expected to generate strong unit-level returns and reinforce our omnichannel model, with each new store serving as a brand billboard and demand driver across all channels. Upon completion, our Canadian store network will reach 25 locations.

HOW WE ASSESS OUR PERFORMANCE

We believe that our performance and future success depend on several factors that present significant opportunities for us and may pose risks and challenges, as discussed in the "Risk Factors and Uncertainties" section of this MD&A. The key measures we use to evaluate the performance of our business and the execution of our strategy are set forth below.

Sales. Sales are generated from our retail stores, online channels, and wholesale distribution partners. Our business is seasonal and, as a result, our sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter, which includes the holiday sales period, and tend to be lowest in the second and third fiscal quarters because of lower customer engagement in both our online and physical locations during the summer months.

The specialty retail industry is cyclical, and our sales are affected by general economic conditions. Several factors influence the level of consumer spending, including the level of disposable income, consumer debt, the rate of inflation, interest rates, and consumer confidence — all of which can affect purchases of our products. The elevated inflationary environment of recent years, combined with the economic uncertainty introduced by U.S.-Canada trade tensions and broader geopolitical instability, has created a more complex consumer spending backdrop than in prior cycles. As a discretionary specialty retailer, we are not immune to these pressures — however, we believe the accessibility of our price points, the strength of our brand, and the health and wellness attributes of our product assortment position us well to maintain consumer engagement even in periods of economic uncertainty.

Factors affecting our performance include:

- the pace and success of our store-led growth strategy, including our ability to open new retail locations on schedule, achieve targeted store economics, and realize the anticipated spillover benefits to our online and wholesale channels;
- our ability to anticipate and respond to evolving consumer preferences, purchasing behaviours and broader economic trends;
- the strength and appeal of our product assortment — including the health, wellness and accessibility attributes of our tea offerings — in driving new and repeat purchases across all channels;
- the quality and consistency of the customer experience delivered in-store, online, and through our wholesale partners;
- the impact of geopolitical conditions, including U.S.-Canada trade tensions, tariffs, and changes to the U.S. de minimis import rule, on our cross-border e-commerce channel and global supply chain, and our ability to adapt our fulfillment model and sourcing strategy in response;
- website traffic volume and engagement levels;
- the number of customer transactions and average order value across our sales channels;
- pricing strategy for our tea and accessories in relation to consumer demand and market dynamics;
- operational efficiency in sourcing, manufacturing, and distributing products; and
- our ability to mitigate cost pressures through supply chain adjustments, pricing strategies, and continued operational discipline.

Gross Profit. Gross profit is equal to our sales less our cost of sales. Cost of sales includes product costs, freight costs, distribution and handling costs, delivery costs, and warehouse-related costs including salaries.

Selling, General and Administration Expenses. Selling, general and administration expenses ("SG&A") consist of store operating expenses, variable lease charges, salaries and other payroll costs, travel, professional fees, stock-based compensation, marketing expenses, information technology, any asset impairment or reversal of impairment, and other operating costs.

General and administration costs, which are generally fixed in nature, do not vary proportionally with sales to the same degree as our cost of sales. As demonstrated in Fiscal 2025, these costs can decrease meaningfully as a percentage of sales as the business scales — a dynamic we expect to continue as our store-led growth strategy drives higher revenue across a more efficient cost base.

Depreciation and Amortization. Depreciation and amortization represents the systematic allocation of the Company's tangible and intangible assets over their respective useful life. Depreciation is charged on property, plant and equipment, while amortization is charged on right-of-use-assets and intangible assets such as software.

Results from Operating Activities. Results from operating activities consist of our gross profit less our selling, general and administration expenses.

Finance Costs. Finance costs consist of cash and non-cash charges related to our revenue-linked financing arrangement and interest expense from lease liabilities.

Finance Income. Finance income consists of interest income on cash balances.

SELECTED RESULTS FROM OPERATIONS AND FINANCIAL HIGHLIGHTS

For the fourth quarter of Fiscal 2025, sales totaled $23.5 million, an increase of $0.3 million or 1.2% over the prior year quarter. The modest top-line growth masked a substantially stronger profitability outcome, gross profit expanded 9.2% to 58.9%, Adjusted EBITDA reached $5.4 million or 23.1% of sales compared to $4.0 million and 17.3% in the prior year quarter, and net income was $5.3 million or $0.17 per diluted share compared to $2.5 million or $0.09 per diluted share in Q4 Fiscal 2024. The quarter also marked the opening of a new store in Laurier, Québec City, the first new store of Fiscal 2025 and a further step in the Company's store-led growth strategy.

For Fiscal 2025 as a whole, sales were $61.0 million, a decrease of $0.8 million or 1.3% from the prior year, reflecting U.S. tariff headwinds on cross-border e-commerce partly offset by continued growth in Canadian retail. Despite the top-line decline, gross profit expanded 5.1% to 58.6%, SG&A decreased $4.8 million or 14.2%, and Adjusted EBITDA reached $7.6 million or 12.4% of sales compared to $3.9 million or 6.3% in Fiscal 2024. The Company recorded net income of $2.9 million or $0.10 per diluted share, its first positive full-year net income result in recent years and a $6.1 million improvement over the prior year net loss of $3.2 million or $0.12 per diluted share.

The following tables summarize key components of our results of operations for the periods indicated:

	For the three-months ended				For the year ended			
	January 31, 2026	**February 1, 2025**	**$ Change**	**% Change**	**January 31, 2026**	**February 1, 2025**	**$ Change**	**% Change**
Consolidated statement of operations data:								
Sales	**$ 23,509**	$ 23,236	$ 273	1.2%	**$ 60,997**	$ 61,801	$ (804)	(1.3)%
Cost of sales	**9,657**	10,550	(893)	(8.5)%	**25,279**	27,813	(2,534)	(9.1)%
Gross profit	**13,852**	12,686	1,166	9.2%	**35,718**	33,988	1,730	5.1%
SG&A expenses	**8,501**	8,892	(391)	(4.4)%	**28,782**	33,565	(4,783)	(14.2)%
Depreciation and amortization	**1,189**	1,169	20	1.7%	**4,675**	3,363	1,312	39.0%
Results from operating activities	**4,162**	2,625	1,537	58.6%	**2,261**	(2,940)	5,201	176.9%
Finance costs	**305**	221	84	38.0%	**953**	671	282	42.0%
Finance income	**(74)**	(95)	21	22.1%	**(254)**	(401)	147	36.7%
Income (loss) before income taxes	**3,931**	2,499	1,432	57.3%	**1,562**	(3,210)	4,772	148.7%
Income tax recovery	**(1,343)**	—	(1,343)	NM	**(1,343)**	—	(1,343)	NM
Net income (loss)	**$ 5,274**	$ 2,499	$ 2,775	111.0%	**$ 2,905**	$ (3,210)	$ 6,115	190.5%
Sales - by country								
Canada	**$ 20,789**	$ 19,599	$ 1,190	6.1%	**$ 53,783**	$ 52,965	$ 818	1.5%
USA	**2,720**	3,637	(917)	(25.2)%	**7,214**	8,836	(1,622)	(18.4)%
Sales - by channel								
Online	**11,800**	12,380	(580)	(4.7)%	**28,622**	30,964	(2,342)	(7.6)%
Retail	**9,609**	8,584	1,025	11.9%	**24,307**	22,026	2,281	10.4%
Wholesale	**$ 2,100**	$ 2,272	$ (172)	(7.6)%	**$ 8,068**	$ 8,811	$ (743)	(8.4)%
Percentage of sales:								
Sales	**100.0%**	100.0%			**100.0%**	100.0%		
Cost of sales	**41.1%**	45.4%			**41.4%**	45.0%		
Gross profit	**58.9%**	54.6%			**58.6%**	55.0%		
SG&A expenses	**36.2%**	38.3%			**47.2%**	54.3%		
Depreciation and amortization	**5.1%**	5.0%			**7.7%**	5.4%		
Results from operating activities	**17.7%**	11.3%			**3.7%**	(4.8)%		
Income (loss) before income taxes	**16.7%**	10.8%			**2.6%**	(5.2)%		
Net income (loss)	**22.4%**	10.8%			**4.8%**	(5.2)%		

The Company ended Fiscal 2025 with cash of $16.5 million, essentially in line with $16.2 million at the end of Fiscal 2024, and working capital of $17.7 million compared to $12.8 million in the prior year. The year-end position reflects two deliberate capital decisions: a $3.0 million private placement completed in November 2025 to fund the planned opening of five new stores, and a $2.7 million revenue-linked financing arrangement drawn to support an intentional inventory build as the Company positions itself for a return to revenue growth. Further details on the Company's liquidity and capital resources are discussed below.

	For the three-months ended				For the year ended			
	January 31, 2026	**February 1, 2025**	**$ Change**	**% Change**	**January 31, 2026**	**February 1, 2025**	**$ Change**	**% Change**
Other financial and operations data:								
EBITDA[1]	**$ 5,351**	$ 3,794	$ 1,557	41.0%	**$ 6,936**	$ 423	$ 6,513	1539.7%
EBITDA[1] as a % of sales	**22.8%**	16.3%			**11.4%**	0.7%		
EBITDAR[1]	**$ 4,149**	$ 2,564	$ 1,585	61.8%	**$ 2,108**	$ (3,391)	$ 5,499	162.2%
EBITDAR[1] as a % of sales	**17.6%**	11.0%			**3.5%**	(5.5)%		
Adjusted EBITDA[1]	**$ 5,426**	$ 4,029	$ 1,397	34.7%	**$ 7,592**	$ 3,912	$ 3,680	94.1%
Adjusted EBITDA[1] as a % of sales	**23.1%**	17.3%			**12.4%**	6.3%		
Adjusted EBITDAR[1]	**$ 4,224**	$ 2,799	$ 1,425	50.9%	**$ 2,764**	$ 98	$ 2,666	2720.4%
Adjusted EBITDAR[1] as a % of sales	**18.0%**	12.0%			**4.5%**	0.2%		
Adjusted net income[1]	**$ 3,980**	$ 2,703	$ 1,277	47.2%	**$ 1,792**	$ 106	$ 1,686	1590.6%
Adjusted net income[1] as a % of sales	**16.9%**	11.6%			**2.9%**	0.2%		
Number of stores	**21**	20	1	5.0%	**21**	20	1	5.0%
Comparable store sales growth	**6.6%**	(1.5)%			**6.8%**	6.3%		
Comparable retail sales per square foot	**$ 588**	$ 521	$ 67	12.9%	**$ 1,480**	$ 1,339	$ 141	10.5%
Free cash flow	**$ 7,989**	$ 9,375	$ (1,386)	(14.8)%	**$ 954**	$ 7,278	$ (6,324)	(86.9)%
Proceeds from tenant inducements	**$ —**	$ —	$ —	NM	**$ (175)**	$ —	$ (175)	NM
Retail capital expenditure	**$ 255**	$ 53	$ 202	381.1%	**$ 731**	$ 1,024	$ (293)	(28.6)%
Other capital expenditure	**$ 69**	$ 135	$ (66)	(48.9)%	**$ 136**	$ 545	$ (409)	(75.0)%
Inventory turnover	**0.43**	0.51	(0.08)	(15.7)%	**1.32**	1.32	—	0.0%

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A..

NON-IFRS FINANCIAL MEASURES AND RATIOS

The Company uses certain non-IFRS financial measures and ratios for purposes of comparison to prior periods, to prepare annual operating budgets, and for the development of future projections. These measures and ratios are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similarly titled measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures and ratios by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We present the following non-IFRS financial measures:

"EBITDA and Adjusted EBITDA", where EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA excludes items not related to operations in the normal course of business, such as stock-based compensation expense and impairment or reversal of impairment of property and equipment, intangible assets and right-of-use assets, while isolating the effects of items that vary from period to period. These supplemental performance measures are presented because we believe they facilitate a comparative assessment of our operating performance relative to our results under IFRS, help users identify underlying trends, and serve as a benchmark to evaluate our operating performance. Note that in Q4 Fiscal 2025, EBITDA and Adjusted EBITDA are equal, as there were no non-cash or non-recurring adjustments in the period.

"Adjusted EBITDAR" is calculated as Adjusted EBITDA less a rent equivalent expense equal to the sum of depreciation of right-of-use assets and interest expense on lease liabilities. It is intended to provide users with a view of the Company's Adjusted EBITDA after the impact of right-of-use asset depreciation and lease liability interest expense, principally to assist with comparability between the Company and issuers operating in the same industry with a significant retail footprint.

"Adjusted net income (loss)" is presented as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our results under IFRS, while isolating the effects of items that vary from period to period or that are outside the normal course of operations.

"Free cash flow" is calculated as cash flow generated from (used in) operating activities less cash used on additions to property, equipment and intangible assets. We consider free cash flow to be a valuable non-IFRS financial measure as it provides readers with an indicator of the Company's ability to generate cash to support its growth strategy and meet its ongoing obligations.

We also present the following non-IFRS supplementary financial measures and ratios:

"Adjusted net income (loss) per share" represents adjusted net income (loss) divided by the weighted average number of common shares outstanding for the relevant period. The Company uses this measure to evaluate performance and profitability, excluding items that are not in the normal course of operations, net of income taxes, on a per share basis.

"Adjusted EBITDA as a percentage of sales", "adjusted EBITDAR as a percentage of sales", "adjusted net income (loss) as a percentage of sales", represent the amounts as defined above divided by the sales for the period.

"Comparable store sales" represent sales of retail stores relative to sales for the same period in the prior fiscal year. This measure provides insight into the performance of our retail store portfolio and the success of our real estate strategy. Stores must be open for at least 12 months and must not have been subject to a significant change in square footage — defined as an increase or decrease of 20% or more — to be included in the comparable store base.

"Retail sales per square foot" is calculated as revenue from retail stores, excluding online and wholesale channel revenue, divided by the average total square footage of retail stores in operation over the last 12 months. Average total square footage is determined by summing the monthly total square footage over the last 12 months and dividing by twelve. This measure is commonly used in the retail industry and helps evaluate the productivity of our retail space.

"Gross margin" – Gross profit is calculated as total revenue less cost of sales and gross margin is the ratio of gross profit over total revenue. This measure outlines underlying trends in operating performance and contributes to the comparability of our financial results with those of issuers operating in our industry.

"SG&A as a percentage of sales" is calculated as SG&A divided by total revenue. This measure outlines underlying trends in expenses relative to sales and contributes to the comparability of our financial results with those of issuers operating in our industry.

"CAPEX" represents the Company's capital investments, calculated as total additions to property and equipment combined with additions to intangible assets, if any. This metric provides insight into the Company's investment strategy and its commitment to growth.

"Inventory turnover" is the ratio of cost of goods sold to average inventory balance. For quarterly reporting, average inventory is calculated as the sum of the current period's inventory and the inventory from three months prior, divided by two. For annual reporting, average inventory is determined as the sum of the current year's inventory and the inventory from twelve months prior, divided by two. This measure provides insight into the Company's efficiency in converting inventory into revenue.

Management believes these non-IFRS financial measures, supplementary measures and ratios provide readers of this MD&A with enhanced understanding of our results and related trends, and increase the transparency and clarity of the core results of our business. While these measures are frequently used by securities analysts, lenders, and others in their evaluation of companies, they have limitations as an analytical tool, including the following:

- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- these measures do not reflect the cash requirements necessary to fund capital expenditures; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements.

Because of these limitations, these non-IFRS financial measures should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations.

The following tables provide reconciliations of our non-IFRS financial measures and ratios to the most directly comparable measure calculated in accordance with IFRS, as well as information on supplemental measures:

Reconciliation of Net income (loss) to EBITDA:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Net income (loss)	**$ 5,274**	$ 2,499	$ 2,775	111.0%	**$ 2,905**	$ (3,210)	$ 6,115	190.5%
Interest on lease liabilities	**194**	221	(27)	(12.2)%	**824**	640	184	28.8%
Interest on revenue-linked advances	**111**	—	111	NM	**129**	—	129	NM
Other finance costs	**—**	—	—	NM	**—**	31	(31)	NM
Finance income	**(74)**	(95)	21	22.1%	**(254)**	(401)	147	36.7%
Income tax recovery	**(1,343)**	—	(1,343)	NM	**(1,343)**	—	(1,343)	NM
Depreciation of property and equipment	**181**	160	21	13.1%	**671**	189	482	255.0%
Amortization of right-of-use assets	**1,008**	1,009	(1)	(0.1)%	**4,004**	3,174	830	26.1%
EBITDA [(1)]	**$ 5,351**	$ 3,794	$ 1,557	41.0%	**$ 6,936**	$ 423	$ 6,513	1539.7%
EBITDA [(1)] as a percentage of Sales	**22.8%**	16.3%			**11.4%**	0.7%		

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

Reconciliation of EBITDA to EBITDAR:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
EBITDA (1)	**$ 5,351**	$ 3,794	$ 1,557	41.0%	**$ 6,936**	$ 423	$ 6,513	1539.7%
Interest on lease liabilities	**(194)**	(221)	27	12.2%	**(824)**	(640)	(184)	(28.8)%
Amortization of right-of-use assets	**(1,008)**	(1,009)	1	0.1%	**(4,004)**	(3,174)	(830)	(26.1)%
EBITDAR(1)	**$ 4,149**	$ 2,564	$ 1,585	61.8%	**$ 2,108**	$ (3,391)	$ 5,499	162.2%
EBITDAR (1) as a % of Sales	**17.7%**	11.0%			**3.5%**	(5.5)%		

Reconciliation of EBITDA to Adjusted EBITDA:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
EBITDA(1)	**$ 5,351**	$ 3,794	$ 1,557	41.0%	**$ 6,936**	$ 423	$ 6,513	1539.7%
Adjustments to EBITDA:								
Stock-based compensation expense (a)	**26**	31	(5)	(16.1)%	**426**	173	253	146.2%
Reversal of impairment of property and equipment (b)	**—**	—	—	NM	**—**	(1,358)	1,358	100.0%
Fees to secure financing (c)	**—**	—	—	NM	**—**	536	(536)	NM
Employee separation costs (d)	**49**	—	49	NM	**392**	95	297	312.6%
Amounts due under onerous IT contracts (e)	**—**	(12)	12	100.0%	**—**	3,100	(3,100)	NM
Head office relocation (f)	**—**	—	—	NM	**—**	88	(88)	NM
Software implementation (g)	**—**	216	(216)	NM	**82**	855	(773)	(90.4)%
Reversal of IT and other expenses (h)	**—**	—	—	NM	**(244)**	—	(244)	NM
Adjusted EBITDA(1)	**$ 5,426**	$ 4,029	$ 1,397	34.7%	**$ 7,592**	$ 3,912	$ 3,680	94.1%
Adjusted EBITDA(1) as a % of Sales	**23.1%**	17.3%			**12.5%**	6.3%		

(a) Non-cash stock-based compensation expense.
(b) Reversal of impairment of property and equipment and intangible assets in prior year.
(c) Professional fees to assess financing alternatives in prior year.
(d) Executive and employee separation costs resulting from management's cost containment actions.
(e) Amounts expensed under onerous IT contracts in prior year.
(f) Costs to relocate head office.
(g) Costs implement and configure of new software.
(h) Represents favorable outcomes to vendor negotiations

Reconciliation of Adjusted EBITDA to Adjusted EBITDAR:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Adjusted EBITDA (1)	**$ 5,426**	$ 4,029	$ 1,397	34.7%	**$ 7,592**	$ 3,912	$ 3,680	94.1%
Interest on lease liabilities	**(194)**	(221)	27	12.2%	**(824)**	(640)	(184)	(28.8)%
Amortization of right-of-use assets	**(1,008)**	(1,009)	1	0.1%	**(4,004)**	(3,174)	(830)	(26.1)%
Adjusted EBITDAR(1)	**$ 4,224**	$ 2,799	$ 1,425	50.9%	**$ 2,764**	$ 98	$ 2,666	2720.4%
Adjusted EBITDAR (1) as a % of Sales	**18.0%**	12.1%			**4.5%**	0.2%		

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

Reconciliation of Net income (loss) to Adjusted net income:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Net income (loss)	**$ 5,274**	$ 2,499	$ 2,775	111.0%	**$ 2,905**	$ (3,210)	$ 6,115	190.5%
Reversal of impairment of property and equipment (a)	—	—	—	NM	—	(1,358)	1,358	100.0%
Fees to secure financing (b)	—	—	—	NM	—	536	(536)	NM
Employee separation costs (c)	**49**	—	49	NM	**392**	95	297	312.6%
Amounts due under onerous IT contracts (d)	—	(12)	12	100.0%	—	3,100	(3,100)	NM
Head office relocation (e)	—	—	—	NM	—	88	(88)	NM
Software implementation (f)	—	216	(216)	NM	**82**	855	(773)	(90.4)%
Reversal of IT and other expenses (g)	—	—	—	NM	**(244)**	—	(244)	NM
Income tax recovery (h)	**(1,343)**	—	(1,343)	NM	**(1,343)**	—	(1,343)	NM
Adjusted net income (1)	**$ 3,980**	$ 2,703	$ 1,277	47.2%	**$ 1,792**	$ 106	$ 1,686	1590.6%

(a) Reversal of impairment of property and equipment and intangible assets in prior year.
(b) Professional fees to assess financing alternatives in prior year.
(c) Executive and employee separation costs resulting from management's cost containment actions.
(d) Amounts expensed under onerous IT contracts in prior year.
(e) Costs to relocate head office.
(f) Costs implement and configure of new software.
(g) Represents favorable outcomes to vendor negotiations
(h) Represents recognition of Deferred tax assets – see Note 20 of the Consolidated Financial Statements.

Reconciliation of Fully diluted net income (loss) per common share to Adjusted fully diluted net income (loss) per common share:

	For the three-months ended		For the year ended	
	January 31, 2026	February 1, 2025	January 31, 2026	February 1, 2025
Weighted average number of shares outstanding, fully diluted	**30,795,939**	27,619,722	**28,692,713**	26,909,582
Adjusted weighted average number of shares outstanding, fully diluted	**29,849,293**	26,948,465	**27,739,124**	26,909,582
Net income (loss)	$ **5,274**	$ 2,499	$ **2,905**	$ (3,210)
Adjusted net income(1)	$ **3,980**	$ 2,703	$ **1,792**	$ 106
Net income (loss) per common share, fully diluted	$ **0.17**	$ 0.09	$ **0.10**	$ (0.12)
Adjusted net income per common share, fully diluted(1)	$ **0.13**	$ 0.10	$ **0.06**	$ —

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

Inventory turnover:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Cost of sales decomposition								
Cost of goods sold	**$ 7,005**	$ 7,133	$ (128)	(1.8)%	**$ 17,855**	$ 18,422	$ (567)	(3.1)%
Delivery costs	**1,398**	2,210	(812)	(36.7)%	**3,773**	5,052	(1,279)	(25.3)%
Warehouse salaries, handling and other costs	**1,254**	1,207	47	3.9%	**3,651**	4,339	(688)	(15.9)%
Total	**$ 9,657**	$ 10,550	$ (893)	(8.5)%	**$ 25,279**	$ 27,813	$ (2,534)	(9.1)%
Inventory turnover calculation								
Cost of goods sold	**$ 7,005**	$ 7,133	$ (128)	(1.8)%	**$ 17,855**	$ 18,422	$ (567)	(3.1)%
Average inventory	**$ 16,139**	$ 14,074	$ 2,065	14.7%	**$ 13,565**	$ 13,992	$ (427)	(3.1)%
Inventory turnover	**0.43**	0.51	(0.08)	(15.7)%	**1.32**	1.32	—	0.0%

Inventory turnover for the quarter was 0.43 times. For the year, inventory turned over 1.32 times.

Free cash flow:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Cash flows provided by operating activities	**$ 8,313**	$ 9,563	$ (1,250)	(13.1)%	**$ 1,646**	$ 8,847	$ (7,201)	(81.4)%
Proceeds from tenant inducements	**—**	—	—	NM	**175**	—	175	NM
Retail capital expenditure	**(255)**	(53)	(202)	(381.1)%	**(731)**	(1,024)	293	28.6%
Other capital expenditure	**(69)**	(135)	66	48.9%	**(136)**	(545)	409	75.0%
Free cash flow	**$ 7,989**	$ 9,375	$ (1,386)	(14.8)%	**$ 954**	$ 7,278	$ (6,324)	(86.9)%

Free cash flow for the quarter amounted to $8.0 million, a decrease of $1.4 million over the prior year quarter. For the year ended January 31, 2026, Free cash flow amounted to $1.0 million, a decrease of $6.3 million over the prior year.

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

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

Sales. Sales for the fourth quarter of Fiscal 2025 increased $0.3 million, or 1.2%, to $23.5 million compared to the prior year quarter. The modest top-line growth masks meaningfully different dynamics across geographies and channels, with strong Canadian performance and brick-and-mortar recovery partially offset by continued U.S. softness and a moderation in online revenues.

Sales in Canada of $20.8 million, representing 88.4% of total revenue, increased $1.2 million or 6.1% compared to the same quarter last year, reflecting healthy domestic demand across both our retail stores and online platform during the holiday season.

U.S. sales of $2.7 million decreased $0.9 million or 25.2% compared to the prior year quarter, driven primarily by U.S.-Canada trade tensions and tariff-related headwinds on our cross-border e-commerce channel. In response, and in light of ongoing uncertainty surrounding the U.S. de minimis import rule, the Company took decisive action by commencing fulfillment of U.S. orders from a third-party logistics partner in Chicago on March 26, 2026. Shipping from within the United States is expected to meaningfully improve the customer experience, and support a recovery in U.S. sales in Fiscal 2026.

Tea and variety box assortment sales, which represent the core of our holiday offering, increased 2.2% or $0.5 million to $20.9 million, reflecting the continued strength of our seasonal product collections. Tea accessories sales were $2.2 million, essentially flat with the prior year quarter.

Online sales of $11.8 million decreased $0.6 million or 4.7% from $12.4 million in the prior year quarter, representing 50.2% of total sales compared to 53.3% in Q4 Fiscal 2024. The moderation reflects the impact of U.S. tariff headwinds on cross-border shipments, partially offset by domestic online demand during the holiday period.

Brick-and-mortar sales of $9.6 million increased $1.0 million or 11.9% from $8.6 million in the prior year quarter, representing 40.9% of sales compared to 36.9% in Q4 Fiscal 2024. Comparable store sales increased from $8.3 million in the prior year quarter to $8.8 million in the current quarter, a comparable sales growth of 6.6%. The channel mix shift reflects the continued recovery of in-store holiday shopping behaviour, the contribution of two new store openings in Quebec in Fiscal 2024, and the opening of a new store in Laurier, Québec City in December 2025 — the first new store of Fiscal 2025.

The Laurier opening marks the beginning of a more ambitious chapter for the Company. DAVIDsTEA's store-led growth strategy is built on a straightforward premise: that returning to the communities we once served will drive growth across all channels — in-store, online, and wholesale. New stores generate strong unit economics, create brand visibility, and produce a measurable spillover effect on digital and wholesale revenues.

In November 2025, the Company completed a $3.0 million private placement specifically to fund the opening of five new stores. With Laurier now open and four additional locations in active planning, the Company enters Fiscal 2026 with both the capital and the conviction to execute.

Sales from the wholesale channel of $2.1 million decreased $0.2 million or 7.6% from $2.3 million in the prior year quarter, representing 8.9% of sales compared to 9.8% in Q4 Fiscal 2024. The decline reflects the timing of wholesale replenishment orders, as the initial stocking associated with the Couche-Tard convenience store expansion was substantially completed in Fiscal 2024.

Gross profit. Gross profit increased 9.2% to $13.9 million from $12.7 million in the prior year quarter. Gross profit as a percentage of sales expanded to 58.9% from 54.6% in Q4 Fiscal 2024, the strongest quarterly margin rate in the Company's recent history. The improvement was driven by three factors: a higher proportion of full-margin product sales within the holiday assortment, a reduction in unitized freight and inbound shipping costs, and lower fulfillment costs per order. Gross margin in the fourth quarter is structurally higher than the Company's other fiscal quarters, reflecting the concentration of higher-margin seasonal gift sets, variety boxes and holiday collections in the sales mix during the peak period.

Selling, general and administration expenses. SG&A of $8.5 million decreased $0.4 million or 4.4% compared to the prior year quarter, and as a percentage of sales declined to 36.2% from 38.3%. The reduction was primarily driven by a decrease in marketing expenses of $0.8 million, reflecting a more targeted and efficient approach to holiday season customer acquisition. Partially offsetting this decrease were increases in wages, salaries and employee benefits of $0.5 million, reflecting annual compensation adjustments and the staffing requirements of an expanded retail footprint, and professional and consulting fees of $0.2 million associated with the Company's financing activities during the period.

EBITDA, Adjusted EBITDA and Adjusted EBITDAR *(1)*. EBITDA was $5.4 million in the quarter compared to $3.8 million in the prior year quarter. Adjusted EBITDA was $5.4 million or 23.1% of sales, compared to $4.0 million or 17.3% of sales in Q4 Fiscal 2024, an improvement of $1.4 million or 580 basis points. Adjusted EBITDAR was $4.2 million compared to $2.8 million in the prior year quarter. The $1.4 million increase in Adjusted EBITDAR reflects the combination of gross margin expansion driven by improved product mix and lower input costs, and modest SG&A efficiencies, demonstrating the operating leverage available to the business when the holiday quarter performs.

Net income and Adjusted net income. Net income was $5.3 million in the quarter compared to net income of $2.5 million in the prior year quarter, an improvement of $2.8 million or 111%. Adjusted net income was $4.0 million compared to Adjusted net income of $2.7 million in Q4 Fiscal 2024. The strong quarterly net income performance reflects the flow-through of gross margin expansion and cost discipline which contributed to the Company's positive full-year net income result.

Fully diluted net income per share. Fully diluted net income per common share amounted to $0.17 in the fourth quarter compared to $0.09 in the prior year quarter. Adjusted fully diluted net income per common share was $0.13 compared to $0.10 in the prior year quarter.

Cash on hand. The Company ended the fourth quarter of Fiscal 2025 with cash of $16.5 million, compared to $16.2 million at the end of Fiscal 2024, reflecting strong seasonal cash generation from the holiday quarter and the proceeds of capital raised during the year. Free cash flow for the quarter was $8.0 million, compared to $9.4 million in Q4 Fiscal 2024, with the year-over-year decrease reflecting an intentional inventory build as the Company positions itself for a return to revenue growth. The fourth quarter's free cash flow substantially offset cash consumed in the first three quarters of the year, as is typical of the Company's seasonal working capital cycle.

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

OPERATING RESULTS FOR FISCAL 2025 COMPARED TO FISCAL 2024

Sales. Sales for Fiscal 2025 decreased $0.8 million, or 1.3%, to $61.0 million. Sales in Canada of $53.8 million, representing 88.2% of total revenues, increased $0.8 million or 1.5% over the prior year, reflecting continued domestic demand across retail and online channels. U.S. sales of $7.2 million decreased by $1.6 million, or 18.4%, from the prior year, driven by the impact of escalating U.S.-Canada trade tensions and tariff-related headwinds on our cross-border e-commerce channel. In response, the Company commenced fulfillment of U.S. orders from a third-party logistics partner in Chicago on March 26, 2026. Shipping from within the United States is expected to improve the delivery experience for U.S. customers, reduce cross-border friction, and support a recovery in U.S. sales in Fiscal 2026.

Tea and variety box assortment sales decreased 2.1% or $1.1 million to $54.1 million, reflecting the softness in U.S. cross-border volumes. Tea accessories sales increased 3.9% or $0.2 million to $5.3 million over the prior year.

Online sales of $28.6 million decreased $2.4 million or 7.6% from $31.0 million in the prior year, representing 46.9% of sales compared to 50.1% in the prior year. The decline was driven primarily by reduced U.S. cross-border volumes resulting from tariff headwinds, partially offset by domestic online demand.

Brick-and-mortar sales of $24.3 million increased $2.3 million or 10.4% from $22.0 million in the prior year, representing 39.8% of sales compared to 35.6% in the prior year. The growth reflects the continued recovery of in-store shopping behaviour and the contribution of three new store openings in Québec, Canada, two located in Montreal in Fiscal 2024 and a third in Laurier, Québec City in December 2025, the first new store of Fiscal 2025 and an important step in the Company's store-led growth strategy. Comparable store sales increased from $20.8 million in the previous year to $22.3 million in the current year, a comparable sales growth of 6.8%, on top of a 6.3% increase over Fiscal 2023.

The performance of our retail channel reinforces the Company's conviction in its store-led growth plan. New stores generate strong unit economics, create brand visibility in the communities we serve, and produce a measurable spillover effect on online and wholesale revenues.

In November 2025, the Company completed a $3.0 million private placement to fund the opening of five new stores. With Laurier now open and four additional locations in active planning, the Company enters Fiscal 2026 with the capital, the strategy, and the operational foundation to drive a return to revenue growth — and to build on the profitability demonstrated in Fiscal 2025.

Sales from the wholesale channel of $8.1 million decreased $0.7 million or 8.4% from $8.8 million in the prior year, representing 13.2% of sales compared to 14.3% in the prior year. The decline reflects the timing of wholesale replenishment orders, as the initial stocking associated with the Couche-Tard convenience store expansion was substantially completed in Fiscal 2024.

Gross profit. Gross profit increased 5.1% to $35.7 million from the prior year, despite the modest top-line decline. Gross profit as a percentage of sales expanded to 58.6% from 55.0% in the prior year, driven by improved product mix, a reduction in unitized freight and inbound shipping costs, and lower fulfillment costs per order, the direct result of the Company's internalized fulfillment model operating at full efficiency for its first complete fiscal year.

Selling, general and administration expenses. SG&A of $28.8 million decreased $4.8 million or 14.2% compared to the prior year. The primary driver was a $3.8 million reduction in IT expenses, which included the absence of a $3.1 million one-time charge incurred in Fiscal 2024 in connection with the termination of legacy IT contracts, as well as the ongoing savings from the Company's re-platformed technology infrastructure. Marketing expenses decreased $0.5 million, reflecting a more disciplined approach to customer acquisition spend. Partially offsetting these savings were increases in wages, salaries and employee benefits of $1.4 million, reflecting annual compensation adjustments and the staffing requirements of a growing retail footprint, and professional and consulting fees of $0.2 million associated with the Company's financing activities. Note that Fiscal 2024 SG&A also included a reversal of impairment of property and equipment and intangible assets of $1.4 million, which does not recur in Fiscal 2025. As a percentage of sales, SG&A decreased to 47.2% in Fiscal 2025 from 54.3% in the prior year.

EBITDA, Adjusted EBITDA and Adjusted EBITDAR *(1)*. EBITDA was $6.9 million in Fiscal 2025 compared to $0.4 million in the prior year — a $6.5 million improvement. Adjusted EBITDA was $7.6 million or 12.4% of sales, compared to $3.9 million or 6.3% in the prior year, achieving the low double-digit Adjusted EBITDA margin the Company has been targeting. Adjusted EBITDAR was $2.8 million compared to $0.1 million in the prior year. The year-over-year improvement reflects the combined impact of gross margin expansion and the significant reduction in ongoing SG&A expenses, demonstrating that the cost structure established through the Company's operational restructuring is now generating meaningful earnings leverage on a sustained basis.

Net income (loss) and Adjusted net income. Net income was $2.9 million in Fiscal 2025 compared to a net loss of $3.2 million in the prior year, the Company's first positive full-year net income result in recent years and a $6.1 million improvement year-over-year. Adjusted net income was $1.8 million compared to $0.1 million in the prior year.

Fully diluted net income (loss) per share. Fully diluted net income per common share was $0.10 in Fiscal 2025 compared to a fully diluted net loss per share of $0.12 in Fiscal 2024. Adjusted fully diluted net income per common share, which is Adjusted net income on a fully diluted weighted average shares outstanding basis, was $0.06 compared to $nil in the prior year.

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

SUMMARY OF QUARTERLY RESULTS

Due to seasonality and the timing of holidays, 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.

	Fiscal Year 2025				Fiscal Year 2024			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter [2]	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Sales	$ 23,509	$ 12,613	$ 11,142	$ 13,733	$ 23,236	$ 14,039	$ 11,091	$ 13,435
Gross profit	13,852	7,159	6,540	8,168	12,686	8,389	6,148	6,764
SG&A expenses	8,501	6,473	6,780	7,029	8,892	8,981	6,948	8,744
Depreciation and amortization	1,189	1,150	1,168	1,168	1,169	884	663	647
Net income (loss)	$ 5,274	$ (641)	$ (1,562)	$ (166)	$ 2,499	$ (1,575)	$ (1,487)	$ (2,649)
EBITDA [1]	$ 5,351	$ 686	$ (239)	$ 1,138	$ 3,794	$ (593)	$ (800)	$ (1,980)
EBITDAR [1]	4,149	(502)	(1,454)	(85)	2,564	(1,633)	(1,576)	(2,748)
Adjusted EBITDA [1]	5,426	802	(211)	1,576	4,029	1,010	(308)	(820)
Adjusted EBITDAR [1]	$ 4,224	$ (386)	$ (1,426)	$ 353	$ 2,799	$ (30)	$ (1,084)	$ (1,588)
Sales - by country								
Canada	$ 20,789	$ 11,157	$ 9,982	$ 11,855	$ 19,599	$ 12,007	$ 9,630	$ 11,729
USA	2,720	1,456	1,160	1,878	3,637	2,032	1,461	1,706
Sales - by channel								
Online	11,800	5,287	5,119	6,416	12,380	6,359	5,485	6,740
Retail	9,609	4,862	4,570	5,266	8,584	4,726	4,188	4,528
Wholesale	$ 2,100	$ 2,464	$ 1,453	$ 2,051	$ 2,272	$ 2,954	$ 1,418	$ 2,167
Percentage of sales:								
Gross profit	58.9%	56.8%	58.7%	59.5%	54.6%	59.8%	55.4%	50.3%
SG&A expenses	36.2%	51.3%	60.9%	51.2%	38.3%	64.0%	62.6%	65.1%
Depreciation and amortization	5.1%	9.1%	10.5%	8.5%	5.0%	6.3%	6.0%	4.8%
Net income (loss)	22.4%	(5.1)%	(14.0)%	(1.2)%	10.8%	(11.2)%	(13.4)%	(19.7)%
Number of stores	21	20	20	20	20	19	18	18
Comparable store sales growth	6.6%	2.9%	7.9%	10.2%	(1.5)%	18.1%	13.7%	5.0%
Capital expenditure	$ 324	$ 237	$ 97	$ 34	$ 188	$ 608	$ 312	$ 461
Net income (loss) per share:								
Basic	$ 0.18	$ (0.02)	$ (0.06)	$ (0.01)	$ 0.09	$ (0.06)	$ (0.06)	$ (0.10)
Fully diluted	0.17	(0.02)	(0.06)	(0.01)	0.09	(0.06)	(0.06)	(0.10)
Adjusted fully diluted [1]	$ 0.13	$ (0.02)	$ (0.06)	$ 0.01	$ 0.10	$ —	$ (0.04)	$ (0.06)
Weighted average number of shares outstanding:								
Basic	29,849,293	27,118,830	27,061,525	26,948,879	26,948,465	26,930,180	26,910,288	26,849,269
Fully diluted	30,795,939	27,118,830	27,061,525	26,948,879	27,619,722	26,930,180	26,910,288	26,849,269
Cash	$ 16,478	$ 8,087	$ 7,646	$ 10,402	$ 16,187	$ 7,942	$ 6,710	$ 8,772
Accounts receivable	911	2,378	1,797	2,237	1,775	2,974	1,524	1,551
Prepaid expenses and deposits	1,690	1,656	2,726	2,476	1,878	2,214	4,326	5,687
Inventories	14,803	17,475	15,488	12,478	12,326	15,822	16,024	17,094
Trade and other payables	$ 8,292	$ 9,063	$ 8,930	$ 7,527	$ 11,814	$ 11,687	$ 6,553	$ 8,936

(1) For a reconciliation of non-IFRS financial measures to the most directly comparable IFRS measures, see "Non-IFRS financial measures and ratios" in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2026, the Company held cash of $16.5 million, compared to $16.2 million at the end of Fiscal 2024. The year-end cash position remained essentially unchanged year-over-year, as the proceeds of a $3.0 million private placement and strong seasonal cash generation in the fourth quarter together with net proceeds of $1.1 million from a revenue-linked financing arrangement, offset cash deployed into a meaningful inventory build ahead of the peak selling season, a reduction in trade and other payables, and the opening of a new store under the Company’s store-led growth strategy — a reflection of the improving quality of the underlying business.

Working capital was $17.7 million as at January 31, 2026, compared to $12.8 million as at February 1, 2025, an improvement of $4.9 million or 38%. The increase reflects stronger underlying operating performance during the year and the proceeds of the private placement, partially offset by a $3.5 million reduction in trade and other payables, primarily reflecting the timing of supplier payments relative to year-end, and a decrease in prepaid expenses and deposits.

Our primary source of liquidity is cash on hand and cash flow generated from operations. Working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter.

During Fiscal 2025, the Company drew on a revenue-linked financing arrangement to support working capital requirements heading into the fourth quarter. The Company received advance funding of $2.7 million, of which $1.1 million remained outstanding at January 31, 2026. Under the terms of the arrangement, the Company remits 7% of revenues generated through its retail and e-commerce channels until a fixed repayment amount of $2.9 million has been satisfied, representing the $2.7 million advance plus a fixed financing cost of 8.0%. The outstanding balance is expected to be discharged through normal course revenue remittances in Fiscal 2026.

On November 19, 2025, the Company completed a private placement to fuel its store-led growth strategy, raising gross proceeds of $3.0 million through the issuance of 3,333,334 Units at a price of $0.90 per unit. The first use of this capital was the opening of a new store in Laurier, Québec City in December 2025, the Company's first new store of Fiscal 2025 and a tangible step in its plan to return to the communities it once served, with four additional store openings in active planning for Fiscal 2026. Each Unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles its holder to purchase one additional common share at a price of $1.25 for one year from the closing date and at $1.50 for one year thereafter. The warrants represent a source of additional capital that the Company may draw upon as its store opening program advances, providing optionality to accelerate the growth plan should the opportunity arise. In the event that the closing price of the Company's common shares on the TSX Venture Exchange is at least $2.00 for not less than 20 consecutive trading days following the date that is four months and one day from closing, the warrants will expire at the sole discretion of the Company on the 30th day after notice is provided to holders. No commissions or other fees were paid in connection with the private placement. The shares and warrants issued are subject to a four-month resale restriction period that ended March 20, 2026.

Capital expenditures amounted to $0.7 million in Fiscal 2025 (Fiscal 2024 - $1.6 million), comprised of $0.6 million in leasehold improvements, $0.1 million in furniture and equipment, and $0.2 million in computer hardware and software, net of a tenant inducement of $0.2 million. Capital expenditures in Fiscal 2026 are expected to increase as the Company executes against its store opening program, with leasehold improvements representing the primary component of planned investment.

As at January 31, 2026, purchase obligations amounting to $6.5 million, net of advances of $0.4 million included in prepaid expenses and deposits (Fiscal 2024 - $7.4 million, net of $0.5 million of advances), are expected to be discharged within 12 months. Commitments also include variable payments under certain IT service contracts with minimum committed amounts of $0.1 million for Fiscal 2027.

Subsequent to year-end, the Company commenced fulfillment of U.S. orders from a third-party logistics partner in Chicago on March 26, 2026. This operational initiative is expected to improve the delivery experience for U.S. customers and support a recovery in U.S. sales in Fiscal 2026, with no material incremental capital commitment required.

Management enters Fiscal 2026 with confidence. The Company has delivered its first positive full-year net income in recent years, established a cost structure capable of generating sustained profitability, and raised the capital required to execute its store-led growth plan. With four new stores in planning, a strengthened U.S. fulfillment model, and warrant proceeds available as an additional source of capital should the growth plan require it and the warrant holders decide to exercise their rights associated with the warrants, the business is well-positioned to build on the progress of Fiscal 2025. Management remains focused on disciplined execution and on delivering value for all shareholders.

Cash Flow

A summary of our cash flows provided by (used in) operating, investing, and financing activities is presented in the following table:

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
Cash flows provided by (used in):								
Operating activities	**$ 8,313**	$ 9,563	$ (1,250)	(13.1)%	**$ 1,646**	$ 8,847	$ (7,201)	(81.4)%
Financing activities	**402**	(1,130)	1,532	135.6%	**(663)**	(3,691)	3,028	82.0%
Investing activities	**(324)**	(188)	(136)	(72.3)%	**(692)**	(1,569)	877	55.9%
Increase in cash	**$ 8,391**	$ 8,245	$ 146	1.8%	**$ 291**	$ 3,587	$ (3,296)	(91.9)%

Cash flows provided by operating activities

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
OPERATING ACTIVITIES								
Net income (loss)	**$ 5,274**	$ 2,499	$ 2,775	111.0%	**$ 2,905**	$ (3,210)	$ 6,115	190.5%
Items not affecting cash and other items:								
Depreciation of property and equipment	**181**	160	21	13.1%	**671**	189	482	255.0%
Amortization of right-of-use assets	**1,008**	1,009	(1)	(0.1)%	**4,004**	3,174	830	26.1%
Reversal of impairment of property and equipment	—	—	—	NM	—	(1,358)	1,358	100.0%
Interest on lease liabilities	**194**	221	(27)	(12.2)%	**824**	640	184	28.8%
Financing fees	—	—	—	NM	—	30	(30)	NM
Stock-based compensation expense	**26**	31	(5)	(16.1)%	**426**	173	253	146.2%
Income tax recovery	**(1,343)**	—	(1,343)	NM	**(1,343)**	—	(1,343)	NM
Sub-total	**5,340**	3,920	1,420	36.2%	**7,487**	(362)	7,849	2168.2%
Net change in non-cash working capital balances:								
Accounts and other receivables	**1,467**	1,199	268	22.4%	**864**	25	839	3356.0%
Inventories	**2,672**	3,496	(824)	(23.6)%	**(2,477)**	3,332	(5,809)	(174.3)%
Prepaid expenses and deposits	**(34)**	336	(370)	(110.1)%	**188**	3,999	(3,811)	(95.3)%
Trade and other payables	**(771)**	127	(898)	(707.1)%	**(3,522)**	3,151	(6,673)	(211.8)%
Deferred revenue	**(386)**	492	(878)	(178.5)%	**(751)**	(1,194)	443	37.1%
RSU vested withheld for taxes	—	1	(1)	NM	**(181)**	(34)	(147)	(432.4)%
Cumulative translation adjustment & Other	**25**	(8)	33	412.5%	**38**	(70)	108	154.3%
Sub-total	**2,973**	5,643	(2,670)	(47.3)%	**(5,841)**	9,209	(15,050)	(163.4)%
Cash flows provided by operating activities	**$ 8,313**	$ 9,563	$ (1,250)	(13.1)%	**$ 1,646**	$ 8,847	$ (7,201)	(81.4)%

Cash flows provided by operating activities — Q4. Net cash flows provided by operating activities in the fourth quarter of Fiscal 2025 amounted to $8.3 million, compared to $9.6 million in the prior year quarter — a decrease of $1.3 million. The decrease was driven by a lower contribution from working capital movements of $3.0 million compared to $5.6 million in the prior year quarter, reflecting higher inventory levels carried into the quarter as the Company positioned itself for growth. Partially offsetting this was a stronger underlying earnings contribution, with the sub-total of net income and non-cash items of $5.3 million compared to $3.9 million in the prior year quarter, reflecting the flow-through of gross margin expansion and cost discipline during the holiday period.

Cash flows provided by operating activities — Full year. Net cash flows provided by operating activities during Fiscal 2025 amounted to $1.6 million, compared to $8.8 million in the prior year — a decrease of $7.2 million year-over-year. The decrease was driven primarily by unfavorable working capital movements, reflecting an intentional inventory build of $2.5 million as the Company positioned itself for growth, and a reduction in trade and other payables of $3.5 million — a combined working capital headwind of $6.0 million. These movements contrast sharply with the prior year, when working capital was a meaningful source of cash. Partially offsetting the working capital headwind was a significant improvement in underlying financial performance, with net income of $2.9 million in Fiscal 2025 compared to a net loss of $3.2 million in the prior year.

Cash flows used in financing activities

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31, 2026	February 1, 2025	$ Change	% Change
FINANCING ACTIVITIES								
Proceeds from revenue-linked advances	**$ —**	$ —	$ —	NM	**$ 2,700**	$ —	$ 2,700	NM
Payment of revenue-linked advances	**(1,384)**	—	(1,384)	NM	**(1,609)**	—	(1,609)	NM
Payment of lease liabilities	**(1,214)**	(1,130)	(84)	(7.4)%	**(4,754)**	(3,691)	(1,063)	(28.8)%
Issuance of Common Shares	**3,000**	—	3,000	NM	**3,000**	—	3,000	NM
Cash flows provided by (used in) financing activities	**$ 402**	(1,130)	$ 1,532	135.6%	**$ (663)**	$ (3,691)	$ 3,028	82.0%

Cash flows from financing activities — Q4. Net cash flows provided by financing activities in the fourth quarter of Fiscal 2025 amounted to $0.4 million, compared to net cash flows used of $1.1 million in the prior year quarter — an improvement of $1.5 million. The improvement was driven by the issuance of $3.0 million in common shares pursuant to the November 2025 private placement, partially offset by repayment of $1.4 million of the revenue-linked financing arrangement and lease payments of $1.2 million, essentially in line with the prior year quarter.

Cash flows from financing activities — Full year. Net cash flows used in financing activities during Fiscal 2025 amounted to $0.7 million, compared to $3.7 million in the prior year — a decrease in cash used of $3.0 million. During the year, the Company drew $2.7 million under its revenue-linked financing arrangement to support working capital requirements heading into the peak selling season, and repaid $1.6 million, leaving a net advance of $1.1 million outstanding at year-end. The Company also raised $3.0 million through the issuance of common shares pursuant to the private placement completed in November 2025 to fund its store-led growth strategy. These inflows were partially offset by lease payments of $4.8 million, an increase of $1.1 million over the prior year, reflecting the expanded retail store footprint.

Cash flows used in investing activities

	For the three-months ended				For the year ended			
	January 31, 2026	February 1, 2025	$ Change	% Change	January 31 2026	February 1, 2025	$ Change	% Change
INVESTING ACTIVITIES								
Proceeds from tenant inducements	**$ —**	$ —	$ —	NM	**$ 175**	$ —	$ 175	NM
Additions to property and equipment	**(285)**	(188)	(97)	(51.6)%	**(828)**	(1,569)	741	47.2%
Additions to intangibles	**(39)**	—	(39)	NM	**(39)**	—	(39)	NM
Cash flows used in investing activities	**$ (324)**	$ (188)	$ (136)	(72.3)%	**$ (692)**	$ (1,569)	$ 877	55.9%

Cash flows used in investing activities — Q4. Net cash flows used in investing activities in the fourth quarter of Fiscal 2025 were minimal, consistent with the Company's disciplined approach to capital expenditure outside of its planned store opening program.

Cash flows used in investing activities — Full year. Net cash flows used in investing activities during Fiscal 2025 amounted to $0.7 million, compared to $1.6 million in the prior year — a decrease of $0.9 million. Capital expenditures of $0.7 million were comprised of $0.6 million in leasehold improvements, $0.1 million in furniture and equipment, and $0.2 million in computer hardware and software, net of a tenant inducement received of $0.2 million. The year-over-year reduction reflects the completion of the Company's technology re-platforming investment in Fiscal 2024, which included $0.4 million in computer hardware and software and $0.1 million in furniture and equipment, and the absence of similar one-time expenditures in Fiscal 2025. Capital expenditures in Fiscal 2026 are expected to increase meaningfully as the Company executes against its store opening program, with leasehold improvements representing the primary component of planned investment.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. All commitments have been recorded in our consolidated balance sheets, except for purchase obligations. As at January 31, 2026, the Company has financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company, in addition to variable commitments related to long-term IT service contracts with minimum fixed annual amounts, all of which are disclosed in note 13 to the consolidated financial statements for Fiscal 2025.

Purchase obligations, representing commitments to suppliers for the purchase of inventory and related goods and services, amounted to $6.5 million as at January 31, 2026, net of advances of $0.4 million included in prepaid expenses and deposits (Fiscal 2024 — $7.4 million, net of advances of $0.5 million). All purchase obligations are expected to be discharged within 12 months. In addition, certain IT service contracts include variable payments based on sales, with minimum committed amounts of $0.1 million payable in Fiscal 2027.

LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are not at present a party to any significant legal proceedings, government actions, administrative actions, investigations or claims that are pending against us or involve us that, in the opinion of our management, could reasonably be expected to have a material adverse effect on our business, financial condition or operating results. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. See “Risk Factors and Uncertainties”.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Our Audit Committee reviews and approves related-party transactions or recommends related-party transactions for review by independent members of our Board of Directors. Each of the transactions described below has been reviewed by our Audit Committee.

Related party transactions are fully described in Note 19 — Related party transactions in the Company's audited consolidated financial statements, available on the SEDAR+ website at www.sedarplus.ca, with excerpts included herein.

Related party transactions

Transactions with related parties are measured at the exchange amount, being the consideration established and agreed to by the related parties. All amounts below are in thousands of Canadian dollars.

During Fiscal 2025, the Company purchased merchandise for resale from a company controlled by one of its executive employees amounting to $55 (Fiscal 2024 — $86). As of January 31, 2026, an amount of $16 remained outstanding and is presented in trade and other payables (February 1, 2025 — $49).
The Company also provided infrastructure and administrative services of $nil to a company controlled by one of its executive employees during Fiscal 2025 (Fiscal 2024 — $3). No amount was outstanding as at January 31, 2026 or February 1, 2025.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based upon our audited consolidated financial statements. The preparation of financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgment involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed in Note 3 to our audited consolidated financial statements, available on the SEDAR+ website at www.sedarplus.ca. There have been no material changes to the critical accounting policies and estimates since February 1, 2025, other than as disclosed in Note 3 to the consolidated financial statements.

RISK FACTORS AND UNCERTAINTIES

You should carefully consider the risks and uncertainties described below together with all the other information contained in this MD&A and in our other public disclosures. If any of the following risks occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our common shares could decline, and you could lose all or part of your investment in our shares. Although we believe that we have identified and discussed below the key risk factors and uncertainties affecting our business, there may be additional risks and uncertainties that are not currently known to us or that are currently deemed immaterial that may adversely affect our business and financial condition. These risk factors and uncertainties could cause actual results to differ materially from those expressed or implied in any of our forward-looking statements.

Our Risks and Uncertainties fall under five broad categories:

Risks Related to Operational and Strategic Matters

- The uncertainty regarding the ability to return to sustained profitability is dependent on its ability to stabilize its business from unfavourable revenue decline, manage its cost structure and working capital.
- Global trade disputes and the imposition of tariffs may increase our costs and require us to raise prices, which could adversely affect customer demand and our financial performance.
- Increased costs or regulatory barriers on imports into Canada could negatively impact our margins and supply chain operations.
- Trade restrictions or logistical challenges related to exports to the United States could limit growth and affect our cross-border performance.
- Increased tariffs on imported goods may impact profitability if we are unable to offset them through pricing adjustments.
- Changes to the U.S. de minimis import rule could adversely affect our cross-border sales and profitability.
- We may need to raise additional capital in the future. If we are unable to obtain adequate funding on terms acceptable to us, we may be unable to execute our business plan.
- Because our business is highly concentrated on a single, discretionary product category - tea, including loose-leaf teas, pre-packaged teas, tea sachets, and tea-related gifts and accessories - we are vulnerable to changes in consumer preferences and in economic conditions affecting disposable income that could harm our financial results.
- Our success depends, in part, on our ability to continue to source, develop and market new varieties of teas and tea blends, tea-related gifts, accessories, and food and beverages that meet our high standards and customer preferences.
- Our failure to accurately forecast consumer demand for our products while increasing inventory levels could adversely affect our gross margins, cash flow and liquidity.
- We may experience negative effects to our brand and reputation from real or perceived quality or safety issues with our tea, tea accessories, and food and beverages, which could have an adverse effect on our operating results.
- Our business largely depends on a strong brand image, and if we are unable to maintain and enhance our brand image, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.
- If we are unable to attract, train, assimilate and retain employees who embody our culture, we may not be able to grow or successfully operate our business.
- Loss of key employees, an inability to attract and retain qualified employees or increased labour costs could adversely affect our results of operations and growth potential.
- Litigation may adversely affect our business, financial condition, results of operations or liquidity.

Risks Related to External and Economic Matters

- We face significant competition from other specialty tea and beverage retailers and retailers of grocery products, which could adversely affect our growth plans and our financial results.
- Because we rely on a limited number of third-party suppliers and manufacturers, we may not be able to obtain quality products on a timely basis or in sufficient quantities.
- A shortage in the supply, a decrease in the quality or an increase in the price of tea and ingredients used in our tea blends, because of weather conditions, earthquakes, pandemic, epidemic crop disease, pests or other natural or manmade causes could impose significant costs and losses on our business.
- Our ability to source our loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and beverage profitably or at all could be hurt if new trade restrictions are imposed, existing trade restrictions become more burdensome or environmental regulations become more stringent.
- Fluctuations in economic conditions could materially impact our operating results.
- Geopolitical conditions, including trade disputes and direct or indirect acts of war or terrorism, could have an adverse effect on our operations, in particular our global supply chain, and adversely impact our financial results.
- Fluctuations in foreign currency exchange rates could harm our results of operations as well as the price of our common shares.
- Fluctuations in our results of operations for the fourth fiscal quarter have a disproportionate effect on our overall financial condition and results of operations.

Risks Related to Regulatory, Data Privacy and Compliance Matters

- Our marketing programs, digital initiatives and use of consumer information are governed by an evolving set of laws. Enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.
- We are subject to customer payment-related risks that could increase operating costs or exposure to fraud or theft, subject us to potential liability and potentially disrupt our business.
- We rely significantly on information technology systems and any failure, inadequacy, interruption, or security failure of those systems could harm our ability to operate our business effectively.
- Data security breaches could negatively affect our reputation, credibility, and business.
- Use of social media may adversely affect our reputation or subject us to fines or other penalties.
- Our failure to comply with existing or new regulations, both in Canada and the United States, or an adverse action regarding product claims or advertising could have a material adverse effect on our results of operations and financial condition.
- We may not be able to protect our intellectual property adequately, which could harm the value of our brand and adversely affect our business.
- We rely on independent certification for a number of our products and our marketing of products marked “Organic”, “Fair Trade” and “Kosher”. Loss of certification within our supply chain or as relates to our manufacturing process or failure to comply with government regulations pertaining to the use of such marketing claims could harm our business.
- We are subject to new supply chain due diligence and reporting requirements which could expose us to certain reputational risks. An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (Canada) came into force on January 1, 2024. Pursuant to the new law, any company that is subject to its reporting requirements is required to conduct certain due diligence on its supply chains and to file an annual report accordingly. We are subject to this requirement. At present, we are not aware of any forced or child labour in any of our supply chains. However, the increased scrutiny on the supply chains of Canadian companies could reveal the existence of forced or child labour in one or more of our supply chains, which could negatively impact our reputation.

Risks Related to Accounting and Tax Matters

- Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results from operations and financial condition.
- Our ability to use our net operating loss carryforwards in the United States may be subject to limitation in the event we experience an "ownership change".
- Our transfer pricing policies are subject to audit, with respect to which an unfavorable outcome could take a disproportionate share of our management's attention and negatively affect our financial condition.

Risks Relating to Ownership of Our Common Shares

- Our largest shareholder owns or controls approximately 45.3% of our common shares, which may limit our minority shareholders' ability to influence corporate matters.
- Our stock price may be volatile or may decline.
- Our articles and bylaws contain provisions that may have the effect of delaying or preventing a change in control.
- Because we are a federally incorporated Canadian corporation and all of our directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against us based solely upon the federal securities laws of the United States.
- Shareholder activism, including public criticism of our company or our management team or litigation, may adversely affect our stock price.

Risks Related to Operational and Strategic Matters

Uncertainty regarding the ability to return to sustained profitability

The Company faces continuing challenges out of its control that creates uncertainty regarding its ability to return to sustained profitability. The Company is focused on stabilizing its business from unfavourable revenue decline, managing its cost structure along with its working capital. There is; however, no assurance that such events will occur and as a result, this indicates the existence of a uncertainty that may impact the Company's ability to return to sustained profitability.

Global trade disputes and the imposition of tariffs may increase our costs and require us to raise prices, which could adversely affect customer demand and our financial performance.

Ongoing global trade disputes, changes in international trade policies, and the imposition of new or increased tariffs on imported goods could lead to higher costs for raw materials, components, or finished products. In particular, the significant tariffs imposed between the United States and Canada beginning in early 2026 have created material uncertainty for cross-border trade flows, directly affecting our U.S. sales channel and the cost of goods sourced from or transiting through the United States. If we are unable to mitigate these increased costs through operational efficiencies or alternative sourcing strategies, we may be compelled to raise the selling prices of our products. Such price increases could negatively impact consumer demand, reduce sales volumes, and adversely affect our revenue and profitability. Additionally, continued trade tensions or additional tariffs may create volatility in global supply chains, further contributing to cost and operational uncertainty.

Increased costs or regulatory barriers on imports into Canada could negatively impact our margins and supply chain operations.

We rely on the importation of goods into Canada from various countries, including the United States and Asia, to support our product offerings and meet customer demand. The broad tariffs imposed by the United States on Canadian goods beginning in 2025, and the retaliatory Canadian tariffs on U.S. goods, have meaningfully elevated the cost of cross-border supply and disrupted established sourcing arrangements.

Any further changes to Canadian or U.S. trade policy—including additional tariffs, duties, import quotas, or more stringent customs regulations—could increase our cost of goods sold or delay product availability. If we are unable to pass increased costs on to consumers or find suitable alternative sourcing arrangements, our profitability and operational efficiency could be adversely affected.

Trade restrictions or logistical challenges related to exports to the United States could limit growth and affect our cross-border performance.

A portion of our sales are derived from exporting goods from Canada to customers in the United States. The imposition of retaliatory tariffs and escalating US–Canada trade disputes beginning in 2025 have already reduced the competitiveness of our U.S. channel, as evidenced by the decline in U.S. revenues in Fiscal 2025. Any new tariffs, customs delays, regulatory requirements, or cross-border shipping disruptions—whether due to trade disputes, policy changes, or geopolitical events—could hinder our ability to fulfill U.S. orders efficiently. These challenges may impact our competitiveness in the U.S. market and could lead to lost revenue, reduced customer satisfaction, and higher fulfillment costs.

Increased tariffs on imported goods may impact profitability if we are unable to offset them through pricing adjustments.

Recent and potential future increases in tariffs on goods imported into Canada, particularly from the United States or Asia, may lead to higher input costs across our product assortment. If we are unable to pass these additional costs on to consumers through price increases—due to competitive pressures or consumer sensitivity—our gross margins and overall profitability could be adversely affected. These developments may also influence sourcing strategies and require ongoing adjustments to our supply chain

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Changes to the U.S. de minimis import rule could adversely affect our cross-border sales and profitability.

Online sales delivery into the U.S. has historically benefited from the U.S. de minimis import rule, which allows goods valued at $800 or less to enter the United States duty-free. In 2025, the U.S. government issued executive orders targeting this provision, and the rule's future applicability to Canadian-origin shipments has become increasingly uncertain. Any elimination or further restriction of this provision would materially increase our cost of fulfilling orders to U.S. customers and could require us to adjust pricing, absorb additional duties, or restructure our logistics and fulfillment model. This risk has been elevated given the current US–Canada trade environment and represents a significant ongoing exposure to our cross-border e-commerce channel.

We may need to raise additional capital in the future. If we are unable to obtain adequate funding on terms acceptable to us, we may be unable to execute our business plan.

To remain competitive, we must continue to make investments in the development of our products, the expansion of our online presence, our management information systems, and our sales and marketing activities. If cash generated from operations is insufficient to fund such growth, we could be required to raise additional funds. There can be no assurance that any funding or sources of financing will be available to us, or if available, on terms favorable to us. If we cannot raise the required capital when needed, we may not be able to satisfy the demands of existing and prospective customers, we could lose revenue and market share and we may have to curtail our capital expenditures.

Because our business is highly concentrated on a single, discretionary product category - tea, including loose-leaf teas, pre-packaged teas, tea sachets, and tea-related gifts and accessories - we are vulnerable to changes in consumer preferences and in economic conditions affecting disposable income that could harm our financial results.

Our business is not diversified and consists primarily of developing, sourcing, marketing, and selling loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and craft beverages. Consumers' preferences change rapidly and without warning, moving from one trend to another among many retail concepts. Therefore, our business is substantially dependent on our ability to educate consumers on the many positive attributes of tea and anticipate shifts in consumers' tastes. Any future shifts in consumer preferences away from the consumption of beverages brewed from premium loose-leaf teas would also have a material adverse effect on our results of operations. For example, there has been an increasing focus on health and wellness, which we believe has increased demand for products, such as our teas, that are perceived to be healthier than other beverage alternatives. If such consumer preference trends change, or if our teas are not perceived to be healthier than other beverage alternatives, our financial results could be adversely affected.

Consumer purchases of specialty retail products, including our products, are discretionary in nature and are historically affected by economic conditions such as changes in employment, salary and wage levels, and confidence in prevailing and future economic conditions as may be affected by geopolitical issues, such as the Russian invasion of Ukraine, the current crisis in Iran, trade restrictions, unseasonable weather, pandemics, including the COVID-19 pandemic, as well as the transition to selling our products primarily online and other factors that are outside of our control. Discretionary purchases may decline during recessionary periods or at other times when disposable income is lower, such as during highly inflationary periods. Further, due to the COVID-19 pandemic and our permanent store closings, our financial performance has become more susceptible to fluctuations in online consumer spending, as the consumer is limited to purchasing our products through the online store and a selection of products through grocery stores and pharmacies. We have seen significant decreases in consumer spending due to factors such as the pandemic, rising inflation rates and geopolitical conflict, particularly in our industry, and such trends may continue. If periods of decreased consumer spending persist, our sales could decrease, and our financial condition and results of operations could be adversely affected.

Our success depends, in part, on our ability to continue to source, develop and market new varieties of teas and tea blends, tea-related gifts, accessories, and food and beverages that meet our high standards and customer preferences.

We currently offer approximately 150 varieties of teas and tea blends and a wide assortment of tea-related gifts, accessories and food and beverages. Our success depends in part on our ability to continually innovate, develop, source and market new varieties of loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and food and beverages that both meet our standards for quality and appeal to customers' preferences. We have conducted extensive customer market research to target our efforts, however, failure to innovate, develop, source and market new varieties of loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and food and beverages that consumers want to buy could lead to a decrease in our sales and profitability.

Our failure to accurately forecast consumer demand for our products while increasing inventory levels could adversely affect our gross margins, cash flow and liquidity.

As our sales mix pivots towards tea related products and away from the sale of hard goods and accessories, we are increasing inventory levels of our tea products, which are perishable. In the event we are unable to adequately manage our inventory levels, we may be forced to either write off or sell expiring excess inventory at a discount, which could affect our financial performance. Further, if our strategy of focusing on tea rather than hard goods and accessories does not suit customer preferences, we could have a large volume of obsolete inventory that we may be required to write off or discount, which would negatively affect our gross margins and operating results. If our inventory and our forecasts exceed demand, our liquidity and cash flow may be adversely affected.

We may experience negative effects to our brand and reputation from real or perceived quality or safety issues with our tea, tea accessories, and food and beverages, which could have an adverse effect on our operating results.

We believe our customers rely on us to provide them with high-quality teas, tea accessories, and food and beverages. Concerns regarding the safety of our teas, tea accessories, and food and beverages or the safety and quality of our supply chain could cause consumers to avoid purchasing certain products from us or to seek alternative sources of tea, tea accessories, and food and beverages, even if the basis for the concern has been addressed or is outside of our control. Adverse publicity about these concerns, whether or not ultimately based on fact, and whether or not involving teas, tea accessories, and food and beverages sold at our brick-and-mortar stores, could discourage consumers from buying our teas, tea accessories, and food and beverages and have an adverse effect on our brand, reputation and operating results.

Furthermore, the sale of teas, tea accessories, and food and beverages entails a risk of product liability claims and the resulting negative publicity. For example, tea supplied to us could contain contaminants that, if not detected by us, could result in illness or death upon their consumption. Similarly, tea accessories, and food and beverages could contain contaminants or contain design or manufacturing defects that could result in illness, injury or death. It is possible that product liability claims will be asserted against us in the future.

We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. The costs associated with any future product recall could, individually and in the aggregate, be significant in any given fiscal year. In addition, any product recall, regardless of direct costs of the recall, may harm consumer perceptions of our teas, tea accessories, and food and beverages and have a negative impact on our future sales and results of operations.

Any loss of confidence on the part of our customers in the safety and quality of our teas, tea accessories, and food and beverages would be difficult and costly to overcome. Any such adverse effect could be exacerbated by our position in the market as a purveyor of quality teas, tea accessories, and food and beverages and could significantly reduce our brand value. Issues regarding the safety of any teas, tea accessories, and food and beverages sold by us, regardless of the cause, could have a substantial and adverse effect on our sales and operating results.

Our business largely depends on a strong brand image, and if we are unable to maintain and enhance our brand image, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales.

We believe that our brand image and brand awareness are important to our business and potential future growth. We also believe that maintaining and enhancing our brand image is important to maintaining and expanding our customer base and retaining our employees. Our ability to successfully integrate our strategy to expand into new channels or to maintain the strength and distinctiveness of our brand in our existing markets will be adversely impacted if we fail to connect with our target customers.

Maintaining and enhancing our brand image may require us to continue to make substantial investments in areas such as merchandising, marketing, retail and online store operations, wholesale operations, and employee training, which could adversely affect our cash flow, and which may ultimately be unsuccessful. Furthermore, our brand image could be jeopardized if we fail to maintain high standards for merchandise quality and delivery to our online and wholesale customers, if we fail to comply with local laws and regulations, if we experience negative publicity or other negative events that affect our image and reputation, or because of communications by our shareholders. Some of these risks may be beyond our ability to control, such as the effects of negative publicity regarding our suppliers or our shareholders. Failure to successfully market and maintain our brand image could harm our business, results of operations and financial condition.

If we are unable to attract, train, assimilate and retain employees who embody our culture, we may not be able to grow or successfully operate our business.

Our success is partly due to our ability to attract, train, assimilate and retain enough employees, who understand and appreciate our culture, represent our brand effectively and establish credibility with our customers. If we are unable to hire and retain store and other personnel capable of consistently providing a high-level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers and knowledge of the loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and food and beverages we offer, the performance of our existing stores, online experience and other aspects of our business could be materially adversely affected and our brand image may be negatively impacted. In addition, the rate of employee turnover in the retail industry is typically high and finding qualified candidates to fill positions may be difficult. Any failure to meet our staffing needs, including for IT professionals or warehouse and distribution facility employees, or any material increases in team member turnover rates could have a material adverse effect on our business or results of operations. We also rely on temporary or seasonal personnel to staff our stores and distribution centers. We may not be able to find adequate temporary or seasonal personnel to staff our operations when needed, which may strain our existing personnel and negatively affect our operations.

Loss of key employees, an inability to attract and retain qualified employees or increased labour costs could adversely affect our results of operations and growth potential.

Our success will depend in part upon our leadership team and other key management personnel. The loss of any key member of management may prevent the Company from implementing its business plans in a timely manner. Further, labour is a significant component of the cost of operating our business. Our ability to meet labour needs while controlling labour costs is subject to external factors, such as employment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs and governmental labour and employment requirements. Our transition to online sales and sales through wholesale channels from our previous model focused on retail stores has led to an increased need for employees with IT expertise. Our ability to identify and retain qualified IT personnel has been difficult in light of the increased demand for such talent. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, while increasing our wages could cause our earnings to decrease. Due to current factors including low unemployment rates we have had difficulty attracting and retaining qualified personnel to staff our warehouse and production facilities. If we face labour shortages or increased labour costs because of increased competition for employees from our competitors and other industries, higher employee-turnover rates, increases in provincial minimum wages, change in exempt and non-exempt status, or other employee benefits costs, including costs associated with health insurance coverage or workers' compensation insurance, our operating expenses could increase and our business, financial condition and results of operations could be materially and adversely affected.

Litigation may adversely affect our business, financial condition, results of operations or liquidity.

Our business is subject to the risk of litigation by employees, consumers, vendors, competitors, intellectual property rights holders, shareholders, government agencies and others through private actions, class actions, administrative proceedings, regulatory actions, or other litigation. The outcome of litigation, particularly class action lawsuits, regulatory actions, and intellectual property claims, is inherently difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. Regardless of the outcome or merit, the cost to defend future litigation may be significant and result in the diversion of management and other company resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition, results of operations or liquidity.

Risks Related to External and Economic Matters

We face significant competition from other specialty tea and beverage retailers and retailers of grocery products, which could adversely affect our growth plans and our business.

The Canadian and U.S. tea markets are relatively fragmented. We compete directly with many small independently owned tea retailers and several regional tea retailers, as well as retailers of grocery products, including loose-leaf teas, tea sachets and other beverages. We must spend considerable resources to differentiate our customer and product experience. Some of our competitors may have greater financial, marketing, and operating resources than we do. Therefore, despite our efforts, our competitors may be more successful than us in attracting customers.

Because we rely on a limited number of third-party suppliers and manufacturers, we may not be able to obtain quality products on a timely basis or in sufficient quantities.

We rely on a limited number of decentralized vendors to supply us with straight tea, specialty blended teas and tea-related hardware and accessories on a continuous basis. Our financial performance depends in large part on our ability to purchase tea and tea accessories in sufficient quantities at competitive prices from these vendors. In general, we do not have long-term purchase contracts or other contractual assurances of continued supply, pricing, or exclusive access to products from these vendors. For example, a significant portion of our tea and tea-related hardware is sourced from Germany and China, respectively. The Russian invasion of Ukraine has had ripple effects globally, including energy supply disruptions to Germany and port closures in China, which may negatively impact our critical supply of products from those regions.

Any of our suppliers or manufacturers could discontinue supplying us with teas in sufficient quantities for a variety of reasons. The benefits we currently experience from our supplier and manufacturer relationships could be adversely affected if they:

- raise the prices they charge us;
- change payment terms;
- discontinue selling products to us;
- sell similar or identical products to our competitors; or
- enter into arrangements with competitors that could impair our ability to sell our suppliers' and manufacturers' products, including by giving our competitors exclusive licensing arrangements or exclusive access to tea blends or limiting our access to such arrangements or blends.

Events that adversely affect our vendors could impair our ability to obtain inventory in the quantities and at the quality that we desire. Such events include difficulties or problems with our vendors' businesses, finances, labour relations, ability to import raw materials, costs, production, insurance, and reputation, as well as natural disasters or other catastrophic occurrences, pandemics, global wars including trade wars.

More generally, if we experience significant increased demand for our loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, or food and beverages, or need to replace an existing vendor, additional supplies or additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, and any new vendor may not allocate sufficient capacity to us in order to meet our requirements, fill our orders in a timely manner or meet our strict quality requirements. In the event we are required to find new sources of supply, we may encounter delays in production, inconsistencies in quality and added costs because of the time it takes to train our suppliers and manufacturers in our methods, products, and quality control standards. In particular, the loss of a tea vendor would necessitate that we work with our new vendors to replicate our tea blends, which could result in our inability to sell such tea blends for a period of time or in a change of quality in our tea blends. Any delays, interruption, or increased costs in the supply of loose-leaf teas or the manufacture of our pre-packaged teas, tea sachets and tea-related gifts, and accessories could have an adverse effect on our ability to meet customer demand for our products and result in lower sales and profitability both in the short and long term.

A shortage in the supply, a decrease in the quality or an increase in the price of tea and ingredients used in our tea blends, because of weather conditions, earthquakes, pandemic, epidemic crop disease, pests or other natural or manmade causes could impose significant costs and losses on our business.

The supply and price of tea and ingredients used in our tea blends are subject to fluctuation, depending on demand and other factors outside of our control. The supply, quality and price of our teas and other ingredients can be affected by multiple factors in countries that produce tea or other ingredients, including political and economic conditions, civil and labour unrest, pandemic, epidemic and adverse weather conditions such as floods, drought and temperature extremes, earthquakes, tsunamis, and other natural disasters and related occurrences. This risk is particularly true with respect to regions or countries from which we source a significant percentage of our products. In extreme cases, entire tea harvests may be lost or may be negatively impacted in some geographic areas. These factors can increase costs and decrease sales, which may have a material adverse effect on our business, results of operations and financial condition.

Tea and other ingredients may be vulnerable to crop disease and pests, which may vary in severity and effect. The costs to control disease and pest damage vary depending on the severity of the damage and the extent of the plantings affected. Moreover, available technologies to control such conditions may not continue to be effective. These conditions can increase costs and decrease sales, which may have a material adverse effect on our business, results of operations and financial condition.

Our ability to source our loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories, and beverages profitably or at all could be hurt if new trade restrictions are imposed, existing trade restrictions become more burdensome or environmental regulations become more stringent.

All our teas and ingredients used in our blends are currently grown, and a substantial majority of our pre-packaged teas, tea sachets and tea-related gifts, and accessories are currently manufactured outside of Canada and the United States. Canada, the United States and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, environmental regulations or other restrictions or regulations, or may adversely adjust prevailing quota, duties, or tariff levels. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions that make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of teas, and tea accessories available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

In addition, there is a risk that our suppliers and manufacturers could fail to comply with applicable regulations, which could lead to investigations by Canadian, American or foreign government agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or exports or otherwise negatively affect our business.

Fluctuations in economic conditions could materially impact our operating results.

Our operating results could be materially impacted by changes in overall economic conditions and other economic factors that impact consumer confidence and spending, including discretionary spending. Future economic conditions affecting disposable consumer income such as inflation, employment levels, business conditions, overall economic slowdown or recession, changes in housing market conditions, changes in government benefits, the availability of credit, interest rates, tax rates and other matters could reduce consumer spending. Given the elevated inflation environment experienced in recent fiscal years, and the additional cost pressures introduced by US–Canada tariffs in Fiscal 2025 and into 2026, there have been and may continue to be increases to our cost of goods, supply chain costs and labour costs. In addition, any other economic factors or circumstances resulting in higher transportation, labour, insurance or healthcare costs or commodity prices could increase our merchandise costs and operating, general and administrative expenses and otherwise adversely affect our financial condition, results of operations or cash flows. Increased fuel prices also have an effect on consumer spending and on our costs of producing and procuring products that we sell. A deterioration in overall economic conditions, the likelihood of which is made more uncertain by ongoing trade uncertainty and its downstream effects on consumer confidence, could adversely affect our business in many ways, including slowing sales growth, reducing overall sales and reducing gross margins. We are unable to predict how the global economy and financial markets will perform. If the global economy and financial markets do not perform as we expect, it could adversely affect our financial condition, results of operations or cash flows.

Geopolitical conditions, including trade disputes and direct or indirect acts of war or terrorism, could have an adverse effect on our operations, in particular our global supply chain, and adversely impact our financial results.

In Fiscal 2025, many conflicts remained ongoing, and the escalation of US–Canada trade tensions, including the imposition of significant tariffs in early 2026, introduced a new dimension of geopolitical and economic risk to our business. Consequences resulting from these conflicts, including related geopolitical tensions, regional instability, and geopolitical shifts which could materially adversely affect regional economies and the global economy. Such consequences could increase our costs, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition, and results of operations.

Further, disruption in our global supply chain could negatively affect our business. The products we sell are sourced from a limited number of suppliers including suppliers in Germany and China, which regions have been impacted by the Russian invasion of Ukraine, the current crisis in Iran and by ongoing trade disputes whose outcomes remain difficult to predict. The broad deterioration in US–Canada trade relations in Fiscal 2025 and into 2026 has introduced additional supply chain complexity, particularly for goods that transit through or originate in the United States. Any future disruption in our supply chain or inability to find qualified suppliers and access products that meet requisite quality standards in a timely and efficient manner could adversely affect our business. The loss or disruption of such supply arrangements for any reason could interrupt product supply and, if not effectively managed and remedied, have an adverse effect on our business, financial condition, results of operations or cash flows.

Fluctuations in foreign currency exchange rates could harm our results of operations as well as the price of common shares.

The reporting currency for our consolidated financial statements is the Canadian dollar. Changes in exchange rates between the Canadian dollar and the U.S. dollar may have a significant, and potentially adverse, effect on our results of operations. Because we recognize sales in the United States in U.S. dollars, if the U.S. dollar weakens against the Canadian dollar, it would have a negative impact on our U.S. operating results upon translation of those results into Canadian dollars for the purposes of consolidation. Any hypothetical reduction in sales could be partially or completely offset by lower cost of sales. In addition, most of the purchases we make from our suppliers are denominated in U.S. dollars. As a result, a depreciation of the Canadian dollar against the U.S. dollar increases the cost of acquiring those supplies in Canadian dollars, which negatively affects our gross profit margins.

Our earnings per share are reported in Canadian dollars, and accordingly may be translated into U.S. dollars by analysts or our investors. Given the foregoing, the value of an investment in our common shares to a U.S. shareholder will fluctuate as the U.S. dollar rises and falls against the Canadian dollar. Our decision to declare a dividend depends on results of operations reported in Canadian dollars, and we will declare dividends, if any, in Canadian dollars. As a result, U.S. and other shareholders seeking U.S. dollar total returns are subject to foreign exchange risk as the U.S. dollar rises and falls against the Canadian dollar.

Fluctuations in our results of operations for the fourth fiscal quarter have a disproportionate effect on our overall financial condition and results of operations.

Our business is seasonal and, historically, we have realized a higher portion of our sales, earnings, and cash flow from operations in the fourth fiscal quarter, due to the impact of the holiday selling season. Any factors that harm our fourth fiscal quarter operating results, including disruptions in our supply chain, ability of our supply chain to handle higher volumes, adverse weather, unfavorable economic conditions or lesser than anticipated sales of our holiday-specific product assortment, could have a disproportionate effect on our results of operations for the entire fiscal year.

To prepare for our peak shopping season, we must order and maintain higher quantities of inventory than we would carry at other times of the year. As a result, our working capital requirements also fluctuate during the year, increasing in the second and third fiscal quarters in anticipation of the fourth fiscal quarter. Any unanticipated decline in demand for our loose-leaf teas, pre-packaged teas, tea sachets, tea-related gifts, and accessories during our peak shopping season could require us to sell excess inventory at a substantial markdown, which could diminish our brand and reduce our sales and gross profits.

Our quarterly results of operations may also fluctuate significantly because of a variety of other factors, including the seasonality of our business. As a result, historical period-to-period comparisons of our sales and operating results are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter, particularly the fourth fiscal quarter holiday season, as an indication of our annual results or our future performance.

Risks Related to Regulatory, Privacy and Compliance Matters

Our marketing programs, digital initiatives and use of consumer information are governed by an evolving set of laws. Enforcement trends and unfavorable changes in those laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, maintain, and use data, including personally identifiable information, provided to us through online activities, other customer interactions in our business, and our employees and service providers. Our business and current and future marketing programs depend on our ability to collect, maintain, use, and otherwise process this data, and our ability to do so is subject to evolving international and Canadian and U.S. federal, provincial and/or state laws, regulations, and enforcement trends with respect to the foregoing. We strive to comply with all applicable laws, regulations and other legal obligations relating to privacy, data protection, information security and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other laws, regulations, and legal obligations, or may conflict with our practices. If so, we may suffer damage to our reputation and be subject to public scrutiny, proceedings, or actions against us by governmental entities or others, which could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management, increase our costs of doing business and result in monetary liability, and we could be required to change our practices.

Because the interpretation and application of many laws and regulations relating to privacy, data protection, information security, and consumer protection, along with industry standards, are uncertain, it is possible that relevant laws, regulations, or standards may be interpreted and applied in manners that are, or are alleged to be, inconsistent with our practices. In addition, as privacy, data protection, information security and consumer protection laws and regulations change, we may incur additional costs to ensure we remain in compliance. For example, we have online sales to Californians, which subject us to the California Consumer Privacy Act ("CCPA"), the standards and restrictions of which are in certain cases more stringent than other U.S. privacy laws. Additionally, the California Privacy Rights Act ("CPRA") was approved by California voters in November 2020. The CPRA significantly modifies the CCPA, creating obligations relating to consumer data beginning on January 1, 2022, with enforcement beginning July 1, 2023. More generally, some observers have noted the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, as observed with the Virginia Consumer Data Protection Act, enacted in March 2021 and which took effect January 2023, the Colorado Privacy Act, enacted in June 2021 and which took effect in July 2023, and the Utah Privacy Act, enacted in March 2022 and which took effect in December 2023. These new state laws could increase our potential liability and adversely affect our business.

Complying with the CCPA, CPRA and other privacy, data protection, information security and consumer protection laws and regulations may cause us to incur substantial operational costs or require us to modify our practices. If applicable privacy, data protection, information security and consumer protection laws and regulations evolve or become more restrictive, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm and our potential liability for security breaches may increase. Any failure, or perceived failure, by us to comply with international, federal, provincial and/or state laws and regulations relating to privacy, data protection, information security and consumer protection, or self-regulatory standards that apply to us or that third parties assert are applicable to us, our policies or notices we post or make available, or other actual or asserted obligations relating to privacy, data protection, information security and data protection could subject us to claims, investigations, sanctions, enforcement actions and other proceedings, disgorgement of profits, fines, damages, civil and criminal liability, penalties or injunctions.

We are subject to customer payment-related risks that could increase operating costs or exposure to fraud or theft, subject us to potential liability and potentially disrupt our business.

We accept payments using a variety of methods, including credit cards, debit cards and gift cards. Acceptance of these payment options subjects us to rules, regulations, contractual obligations, and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could potentially disrupt our business. The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data is compromised due to a breach or misuse of data, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. As a result, our business and operating results could be adversely affected.

We rely significantly on information technology systems and any failure, inadequacy, interruption, or security failure of those systems could harm our ability to operate our business effectively.

We rely on complex information technology systems to effectively manage our business data, communications, point-of-sale, supply chain, order entry and fulfillment, inventory and warehouse and distribution centers and other business processes, which technology systems are vital to our continuing operations. The failure of our systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales, causing our business to suffer. Despite any precautions we may take, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, power outages, viruses, security breaches, cyber-attacks, and terrorism, including breaches of our transaction processing or other systems that could result in the compromise of confidential company, customer, or employee data. We maintain disaster recovery procedures, but there is no guarantee that these will be adequate in all circumstances. Any such damage or interruption could have a material adverse effect on our business, cause us to face significant fines, customer notice obligations or costly litigation, harm our reputation with our customers, require us to expend significant time and expense developing, maintaining or upgrading our information technology systems or prevent us from paying our vendors or employees, receiving payments from our customers or performing other information technology, administrative or outsourcing services on a timely basis. Furthermore, our ability to conduct our website operations may be affected by changes in foreign, provincial, state and federal privacy laws and we could incur significant costs in complying with the multitude of foreign, provincial, state and federal laws regarding the unauthorized disclosure of personal information. Although we carry business interruption and cyber-security insurance, our coverage may not be sufficient to compensate us for potentially significant losses in connection with the risks described above.

In addition, we are dependent on third-party hardware and software providers, including our website. We sell merchandise over the Internet through our website, which represents a growing percentage of our overall net sales. The successful operation of our e-commerce business depends on our ability to maintain the efficient and continuous operation of our website and our fulfillment operations, and to provide a shopping experience that will generate orders and return visits to our site. Our e-commerce operations are subject to numerous risks, including rapid technology change, unanticipated operating problems, credit card fraud and system failures or security breaches and the costs to address and remedy such failures or breaches. Additionally, our website operations as well as other information systems, may be affected by our reliance on third-party hardware and software providers, whose products and services are not within our control, making it more difficult for us to correct any defects; technology changes; risks related to the failure of computer systems through which we conduct our website operations; telecommunications failures; security breaches or attempts thereof; and similar disruptions. Third-party hardware and software providers may not continue to make their products available to us on acceptable terms or at all and such providers may not maintain policies and practices regarding data privacy and security in compliance with all applicable laws. Any impairment in our relationships with such providers could have an adverse effect on our business.

Data security breaches could negatively affect our reputation, credibility, and business.

We collect and store personal information relating to our customers and employees, including their personally identifiable information, and we rely on third parties for the operation of our e-commerce site and for the various social media tools and websites we use as part of our marketing strategy. Consumers are increasingly concerned over the security of personal information transmitted over the Internet (or through other mechanisms), consumer identity theft and user privacy. Any perceived, attempted or actual unauthorized disclosure of personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility, reduce our e-commerce sales, impair our ability to attract website visitors, reduce our ability to attract and retain customers and result in litigation against us or the imposition of significant fines or penalties and could require us to expend significant time and expense developing, maintaining or upgrading our information technology systems or prevent us from paying our vendors or employees, receiving payments from our customers or performing other information. We cannot be certain that any of our third-party service providers with access to such personally identifiable information will maintain policies and practices regarding data privacy and security in compliance with all applicable laws, or that they will not experience data security breaches or attempts thereof which could have a corresponding adverse effect on our business.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial, and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs. Furthermore, the risk of cyberattacks and security breaches and incidents is anticipated to increase as a result of the Russian invasion of Ukraine and the resulting geopolitical unrest. Any breach of our or our third-party service providers' websites or computer systems could adversely affect our business, credibility and reputation and lead to remediation or litigation-related expenses, which could have a materially adverse effect on our results of operations.

Use of social media may adversely affect our reputation or subject us to fines or other penalties.

Use of social media platforms, user review and recommendation websites and other forms of online communications provides individuals with access to a broad audience of consumers and other interested persons. As laws and regulations rapidly evolve to govern the use of these social media platforms, especially with respect to advertising and consumer privacy, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these social media platforms could adversely affect our reputation or subject us to fines or other penalties.

Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation and without regard to its accuracy. Information concerning us may be posted online by unaffiliated third parties, whether seeking to pass themselves off as us or not, at any time, which may be adverse to our reputation or business. The harm may be immediate without affording us an opportunity for redress or correction.

Our failure to comply with existing or new regulations, both in Canada and the United States, or an adverse action regarding product claims or advertising could have a material adverse effect on our results of operations and financial condition.

Our business operations, including labeling, advertising, sourcing, distribution, and sale of our products, are subject to regulation by various federal, state, and local government entities and agencies, including the Canadian Food Inspection Agency and the Food and Drug Administration, the Federal Trade Commission and the Office of Foreign Asset Control in the United States , as well as Canadian entities and agencies, including the Canadian Food Inspection Agency. From time to time, we may be subject to challenges to our marketing, advertising, or product claims in litigation or governmental, administrative, or other regulatory proceedings. Failure to comply with applicable regulations or withstand such challenges could result in changes in our supply chain, product labeling, packaging, or advertising, loss of market acceptance of the product by consumers, additional recordkeeping requirements, injunctions, product withdrawals, recalls, product seizures, fines, monetary settlements, or criminal prosecution. Any of these actions could have a material adverse effect on our results of operations and financial condition.

In addition, consumers who allege that they were deceived by any statements that were made in advertising or labeling could bring a lawsuit against us under consumer protection laws. If we were subject to any such claims, while we would defend ourselves against such claims, we may ultimately be unsuccessful in our defense. Defending ourselves against such claims, regardless of their merit and ultimate outcome, would likely result in a significant distraction for management, be lengthy and costly and could adversely affect our results of operations and financial condition. In addition, the negative publicity surrounding any such claims could harm our reputation and brand image.

We may not be able to protect our intellectual property adequately, which could harm the value of our brand and adversely affect our business.

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. We pursue the registration of our domain names, trademarks, service marks and patentable technology in Canada, the United States and in certain other jurisdictions. Our trademarks, including our registered DAVIDsTEA® and DAVIDsTEA logo design trademarks and the unregistered names of a significant number of the varieties of specially blended teas that we sell, are valuable assets that reinforce the distinctiveness of our brand and our customers' favorable perception of our stores.

We also strive to protect our intellectual property rights by relying on federal, state, and common law rights, as well as contractual restrictions with our employees, contractors (including those who develop, source, manufacture, store and distribute our tea blends, tea accessories and other tea-related merchandise), vendors and other third parties. However, we may not enter into confidentiality and/or invention assignment agreements with every employee, contractor and service provider to protect our proprietary information and intellectual property ownership rights. In addition, although we have exclusivity agreements with each of our significant suppliers who performs blending services for us, or who has access to our designs, we may not be able to successfully protect the tea blends and designs to which such suppliers have access under trade secret laws, and the periods for exclusivity governing our tea blends last for periods as brief as 18 months. Unauthorized disclosure of or claims to our intellectual property or confidential information may adversely affect our business.

From time to time, third parties have sold our products using our name without our consent, and, we believe, have infringed, or misappropriated our intellectual property rights. We respond to these actions on a case-by-case basis and where appropriate may commence litigation to protect our intellectual property rights. However, we may not be able to detect unauthorized use of our intellectual property or to take appropriate steps to enforce, defend and assert our intellectual property in all instances.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain. Our failure to register or protect our trademarks could prevent us in the future from using our trademarks or challenging third parties who use names and logos similar to our trademarks, which may in turn cause customer confusion, impede our marketing efforts, negatively affect customers' perception of our brand, stores and products, and adversely affect our sales and profitability. Moreover, intellectual property proceedings and infringement claims brought by or against us could result in substantial costs and a significant distraction for management and have a negative impact on our business. We cannot make any assurance that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights, or that we will not be accused of doing so in the future.

In addition, although we have also taken steps to protect our intellectual property rights internationally, the laws of certain foreign countries may not protect intellectual property to the same extent as do the laws of Canada and the United States and mechanisms for enforcement of intellectual property rights may be inadequate in those countries. Other entities may have rights to trademarks that contain portions of our marks or may have registered similar or competing marks in foreign countries. There may also be other prior registrations in other foreign countries of which we are not aware. We may need to expend additional resources to defend our trademarks in these countries, and the inability to defend such trademarks could impair our brand or adversely affect the growth of our business internationally.

We rely on independent certification for a number of our products and our marketing of products marked "Organic", "Fair Trade" and "Kosher". Loss of certification within our supply chain or as relates to

our manufacturing process or failure to comply with government regulations pertaining to the use of such marketing claims could harm our business.

We rely on independent certification, such as "Organic", "Fair Trade", or "Kosher" to differentiate some of our products from others. We offer one of the largest certified organic collections of tea in North America amongst branded tea retailers. We must comply with the requirements of independent organizations or certification authorities to label our products as certified. The loss of any independent certifications could adversely affect our marketplace position, which could harm our business.

In addition, the U.S. Department of Agriculture and the Canadian Food Inspection Agency require that our certified organic products meet certain consistent, uniform standards. Compliance with such regulations could pose a significant burden on some of our suppliers, which could cause a disruption in some of our product offerings. Moreover, in the event of actual or alleged non-compliance, we might be forced to find an alternative supplier, which could adversely affect our business, results of operations and financial condition.

Risks Related to Accounting and Tax Matters

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results from operations and financial condition.

We are subject to taxes by Canadian federal, provincial, and local tax authorities as well as U.S. federal and state tax authorities and our tax liabilities will be affected by the allocation of profits and expenses to differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by several factors, including:

- changes in the valuation of our deferred tax assets and liabilities, including as a result of the tax reform bill in the United States known as the Tax Cuts and JOBS Act;
- changes in tax laws, regulations, or interpretations thereof; or
- future earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated earnings in jurisdictions where we have higher statutory tax rates.

We may be subject to audits of our income, sales, and other transaction taxes by these tax authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

Our ability to use our net operating loss carryforwards in the United States may be subject to limitation in the event we experience an "ownership change."

Under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more shareholders or groups of shareholders who own at least 5% of our common shares increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Any such limitation on the timing of utilizing our net operating loss carryforwards would increase the use of cash to settle our tax obligations. Accordingly, the application of Section 382 could have a material effect on the use of our net operating loss carryforwards, which could adversely affect our future cash flow from operations.

Our transfer pricing policies are subject to audit, an unfavorable outcome to which could take a disproportionate share of our management's attention and negatively affect our financial condition.

We and our subsidiary engage in a number of intercompany transactions in various jurisdictions. Such activity subjects us to complex transfer pricing regulations in the countries in which we operate. There is a relatively high degree of uncertainty and inherent subjectivity in complying with these regulations. Tax examinations similarly are often complex, and tax authorities may disagree with the treatment of items reported by us and our transfer pricing methodology.

We believe that these transactions reflect the accurate economic allocation of profit and risk; however, the ultimate outcome of any examination with respect to amounts owed by us may differ from the amounts recorded in our financial statements and might also include penalties and interest. A recent CRA transfer pricing audit conducted prior to the Company's formal restructuring process indicated a difference in the interpretation of the economics of our intercompany transactions. Although we believe that as a result of the formal restructuring process that the CRA will not be able to impose cash penalties, they may still have the authority to require us to decrease our available net operating loss carryforwards. Appealing an unfavorable outcome could require significant attention of senior management to the detriment of other aspects of our business. As well, the difference between what we have reserved and what the CRA may find we owe may materially affect our financial position and financial results in the period or periods for which such determination is made.

Risks Relating to Ownership of Our Common Shares

Our largest shareholder owns or controls approximately 45.3% of our common shares, which may limit our minority shareholders' ability to influence corporate matters.

Our largest shareholder, Rainy Day Investments Ltd. ("Rainy Day"), is a corporation controlled by Jane Segal, our Chairperson. Ms. Segal owns or controls an aggregate of 13,816,092 common shares of the Company, representing approximately 45.3% of our total outstanding shares, of which 12,012,538 shares are held directly by Rainy Day and 1,803,554 shares are held directly by Ms. Segal. Rainy Day, together with Ms. Segal, may have the ability to influence the outcome of any corporate transaction or other matter submitted to shareholders for approval, and their interests may differ from those of our other shareholders. Rainy Day, as our largest shareholder, has significant influence in electing our directors and, consequently, has a substantial say in the appointment of our executive officers, our management policies and strategic direction. In addition, certain matters, such as amendments to our articles of incorporation or votes regarding a potential merger or a sale of all or substantially all our assets, require approval of at least two thirds of the shares voted by our shareholders; given the level of ownership held by Rainy Day and Ms. Segal in aggregate, their approval will be required to achieve any such threshold. Accordingly, should the interests of Rainy Day and Ms. Segal differ from those of other shareholders, the other shareholders are highly susceptible to the influence of their combined votes.

Our stock price may be volatile or may decline.

Our common shares have traded as high as US$29.97 when the Company was listed on Nasdaq and as low as CAD$0.13 during the period between our initial public offering in 2015 and April 29, 2026.

An active, liquid, and orderly market for our common shares may not be sustained, which could depress the trading price of our common shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. In addition, broad market, and industry factors, most of which we cannot control, may harm the price of our common shares, regardless of our actual operating performance. In addition, securities markets worldwide have experienced, and are likely to continue to experience, volatility, price changes, volume changes, disruption, and credit contraction, which could adversely affect global economic conditions.

Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- our own business performance including the revenue stabilization and reduction of operating losses;
- conditions and trends affecting our industry or the economy globally, such as higher inflation in North America, increased cost of inventory, third-party services and labour costs;
- central banks raising interest rates, which, along with the higher inflation rates, may weaken consumer sentiment, decrease discretionary spending levels, increase consumer price sensitivity, and negatively impact sales;
- stock market price and volume fluctuations of other publicly traded companies and those that are in the retail industry;
- instability in financial markets or other factors that may affect economic conditions, on a global level or in particular markets;
- variations in our operating performance and the performance of our competitors;
- seasonal fluctuations;
- our entry into new markets;
- actual or anticipated fluctuations in our quarterly financial and operating results or other operating metrics that may be used by the investment community;
- changes in financial estimates by us or by any securities analysts who might cover our shares;
- issuance of new or changed securities analysts' reports or recommendations;
- loss of visibility as to investor expectations because of a lack of published reports from industry analysts;
- actions and announcements by us or our competitors, including new product offerings, significant acquisitions, strategic partnerships, or divestitures;
- sales, or anticipated sales, of large blocks of our shares, including sales by Rainy Day, our directors, officers or significant shareholders;
- additions or departures of key personnel;
- significant developments relating to our relationships with business partners, vendors, and distributors;
- regulatory developments negatively affecting our industry;
- changes in accounting standards, policies, guidance, interpretation, or principles;
- volatility in our share price, which may lead to higher share-based compensation expense under applicable accounting standards;
- speculation about our business in the press or investment community;
- investors' perception of the retail industry in general and our Company in particular; and
- other events beyond our control such as major catastrophic events, weather, and war.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. Fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

Our articles and bylaws contain provisions that may have the effect of delaying or preventing a change in control.

Certain provisions of our articles of amendment and bylaws, together or separately, could discourage potential acquisition proposals, delay, or prevent a change in control and limit the price that certain investors may be willing to pay for our common shares. For instance, our bylaws contain provisions that establish certain advance notice procedures for nomination of candidates for election as directors at shareholders' meetings. Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders.

Because we are a federally incorporated Canadian corporation and all of our directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against us based solely upon the federal securities laws of the United States.

We are a federally-incorporated Canadian corporation with our principal place of business in Canada. All of our directors and officers and all or a substantial portion of our assets and those of such persons are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon us or our directors or officers or such auditors who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the United States *Securities Act of 1933*. Investors in the United States should not assume that Canadian courts: (1) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or (2) would enforce, in original actions, liabilities against us or such persons predicated upon the U.S. federal securities laws or any such state securities or blue-sky laws.

Shareholder activism, including public criticism of our company or our management team or litigation, may adversely affect our stock price.

Responding to actions by activist stockholders can be costly and time-consuming and may divert the attention of management and our employees. The review, consideration, and response to public announcements or criticism by any activist shareholder, or litigation initiated by such shareholders, requires the expenditure of significant time and resources by us. We have previously experienced shareholder activism, which became the subject of contention among other of our significant shareholders and ultimately resulted in changes to our Board of Directors and management. Additional public disagreements or proxy contests for the election of directors at our annual meeting could require us to incur significant legal fees and proxy solicitation expenses, may negatively affect our stock price, potentially result in litigation, and may have other material adverse effects on our business.