

# ARITZIA

Aritzia Inc.

Consolidated Financial Statements  
**February 27, 2022 and February 28, 2021**  
(in thousands of Canadian dollars)



## Independent auditor's report

To the Shareholders of Aritzia Inc.

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### Our opinion

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

### What we have audited

The Company's consolidated financial statements comprise:

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

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### Basis for opinion

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

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

### Independence

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

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

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <p><b>Valuation of the brand intangible asset acquired and the exchangeable shares liability recognized in the CYC Design Corporation (CYC) acquisition</b></p> <p><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgments, note 5 – Acquisition of CYC Design Corporation and note 13 – Financial instruments to the consolidated financial statements.</i></p> <p>The Company acquired 75% of the common shares of CYC for a total consideration of \$46.1 million on June 25, 2021. The fair value of the identifiable assets acquired included \$27.4 million of intangible assets, of which \$26.2 million relates to a brand (the brand intangible asset). Management applied judgment in estimating the fair value of the brand intangible asset. To estimate the fair value of the brand intangible asset, management used the relief from royalty method using a discounted cash flow model. Management developed assumptions related to future growth rates and the discount rate.</p> <p>As part of the acquisition, the shareholders holding the remaining common shares of CYC exchanged their common shares for exchangeable shares, which represent a financial liability for CYC as they can be put back to CYC by holders at specified future dates in exchange for a variable number of the Company's shares. The fair value of the exchangeable shares liability was determined to be \$33.5 million on acquisition. Management applied judgment in estimating the fair value of the exchangeable shares liability. To estimate the fair value of the exchangeable shares liability,</p> | <p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Read the purchase agreement.</li><li>• Tested how management estimated the fair value of the brand intangible asset which included the following:<ul style="list-style-type: none"><li>o Tested the mathematical accuracy and underlying data used by management in the discounted cash flow model.</li><li>o Evaluated the reasonableness of the future growth rates applied by management by considering the current and past performance of Aritzia and the acquired company CYC.</li><li>o Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's relief from royalty method and the reasonableness of the discount rate.</li></ul></li><li>• With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the fair value of the exchangeable shares liability using the Monte Carlo simulation, which included the following:<ul style="list-style-type: none"><li>o Developed an independent expectation for the assumptions related to the gross profit expected volatility and the gross profit discount rate.</li></ul></li></ul> |



| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>management used the Monte Carlo simulation. The Monte Carlo simulation includes assumptions related to the gross profit expected volatility and the gross profit discount rate.</p> <p>We considered this a key audit matter due to the judgment by management in estimating the fair value of the brand intangible asset and the exchangeable shares liability, including the development of assumptions relating to future growth rates, the discount rate, the gross profit expected volatility and the gross profit discount rate. This in turn led to auditor judgment and subjectivity and a high degree of audit effort in performing procedures and evaluating audit evidence relating to the assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.</p> | <ul style="list-style-type: none"> <li>o Compared the independent point estimate to management's estimate to evaluate the reasonableness of the fair value of the exchangeable shares liability.</li> <li>• Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regards to the exchangeable shares liability.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>Inventory</b></p> <p><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgments and note 6 – Inventory to the consolidated financial statements.</i></p> <p>As at February 27, 2022, the Company held inventory of \$208.1 million including finished goods in transit of \$69.7 million. Inventory is carried at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventory includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres.</p> <p>We considered this a key audit matter due to the number of inventory locations at which inventory was held and the audit effort involved in testing the inventory.</p>                                                             | <p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Tested the operating effectiveness of relevant controls relating to the accounting for inventory, including the mathematical accuracy of the weighted average cost method.</li> <li>• Tested a sample of inventory items to purchase invoices.</li> <li>• Observed the inventory count process for all distribution centres and for a sample of boutiques near year-end and performed independent test counts.</li> <li>• Tested on a sample basis, the finished goods in transit at year-end by agreeing to third party shipment documents, inventory receipts to distribution centres, and purchase invoices.</li> </ul> |



| Key audit matter | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                        |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | <ul style="list-style-type: none"><li>• Tested on a sample basis, inventory received post year-end to shipping documents to assess whether inventory was recorded appropriately at year-end.</li><li>• Tested how management determined net realizable value, which included testing a sample of inventory items to the most recent retail prices of the inventory items.</li></ul> |



### Other information

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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



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

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

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

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

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

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia

May 5, 2022

Aritzia Inc.  
Consolidated Statements of Financial Position  
As at February 27, 2022 and February 28, 2021

(in thousands of Canadian dollars)

|                                                           | Note  | February 27,<br>2022 | February 28,<br>2021 |
|-----------------------------------------------------------|-------|----------------------|----------------------|
| <b>Assets</b>                                             |       |                      |                      |
| Cash and cash equivalents                                 |       | \$ 265,245           | \$ 149,147           |
| Accounts receivable                                       |       | 8,147                | 6,202                |
| Income taxes recoverable                                  |       | 6,455                | 4,719                |
| Inventory                                                 | 5,6   | 208,125              | 171,821              |
| Prepaid expenses and other current assets                 | 1, 13 | 33,564               | 23,452               |
| <b>Total current assets</b>                               |       | <b>521,536</b>       | <b>355,341</b>       |
| Property and equipment                                    | 7     | 223,190              | 189,568              |
| Intangible assets                                         | 5,8   | 87,398               | 62,049               |
| Goodwill                                                  | 5,8   | 198,846              | 151,682              |
| Right-of-use assets                                       | 5,9   | 362,887              | 363,417              |
| Other assets                                              |       | 4,271                | 2,886                |
| Deferred tax assets                                       |       | 26,458               | 15,794               |
| <b>Total assets</b>                                       |       | <b>\$ 1,424,586</b>  | <b>\$ 1,140,737</b>  |
| <b>Liabilities</b>                                        |       |                      |                      |
| Accounts payable and accrued liabilities                  | 10    | \$ 179,344           | \$ 131,893           |
| Income taxes payable                                      |       | 58,917               | 8,287                |
| Current portion of contingent consideration               | 5,13  | 6,619                | -                    |
| Current portion of lease liabilities                      | 9     | 86,724               | 71,452               |
| Deferred revenue                                          |       | 55,721               | 37,563               |
| <b>Total current liabilities</b>                          |       | <b>387,325</b>       | <b>249,195</b>       |
| Lease liabilities                                         | 9     | 417,067              | 423,380              |
| Other non-current liabilities                             | 11    | 22,359               | 15,059               |
| Contingent consideration                                  | 5,13  | 6,618                | -                    |
| Non-controlling interest in exchangeable shares liability | 5,13  | 35,500               | -                    |
| Deferred tax liabilities                                  | 5     | 24,906               | 17,985               |
| Long-term debt                                            | 12    | -                    | 74,855               |
| <b>Total liabilities</b>                                  |       | <b>\$ 893,775</b>    | <b>\$ 780,474</b>    |
| <b>Shareholders' equity</b>                               |       |                      |                      |
| Share capital                                             | 14    | \$ 251,291           | \$ 228,665           |
| Contributed surplus                                       |       | 56,342               | 56,606               |
| Retained earnings                                         |       | 223,553              | 75,216               |
| Accumulated other comprehensive loss                      |       | (375)                | (224)                |
| <b>Total shareholders' equity</b>                         |       | <b>530,811</b>       | <b>360,263</b>       |
| <b>Total liabilities and shareholders' equity</b>         |       | <b>\$ 1,424,586</b>  | <b>\$ 1,140,737</b>  |
| Commitments and contingencies (note 21)                   |       |                      |                      |

Approved by the Board of Directors  
Brian Hill Director

John Currie Director

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



# Aritzia Inc.

## Consolidated Statements of Operations

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

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

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

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

# Aritzia Inc.

## Consolidated Statements of Comprehensive Income

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

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(in thousands of Canadian dollars)

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

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

# Aritzia Inc.

## Consolidated Statements of Changes in Shareholders' Equity

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

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

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

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

# Aritzia Inc.

## Consolidated Statements of Cash Flows

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

(in thousands of Canadian dollars)

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

### Supplemental cash flow information (note 23)

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

# Aritzia Inc.

## Notes to Consolidated Financial Statements

February 27, 2022 and February 28, 2021

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(in thousands of Canadian dollars, unless otherwise noted)

### 1 Nature of operations and basis of presentation

#### Nature of operations

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

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

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

#### Basis of presentation

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

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

#### Seasonality of operations

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

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

#### COVID-19 Pandemic

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

# Aritzia Inc.

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

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

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

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

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

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

(in thousands of Canadian dollars, unless otherwise noted)

## 2 Summary of significant accounting policies

### Principles of consolidation

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

### Business combinations

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

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

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

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

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

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

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

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

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

Transaction costs associated with the acquisition are expensed as incurred.

### Non-controlling interest in exchangeable shares liability

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

### Functional and presentation currency

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

### Translation of other foreign currency transactions and balances

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

### U.S. operations

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

### Cash and cash equivalents

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



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### Prepaid expenses and other current assets

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

### Inventory

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

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

### Property and equipment

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

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

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

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

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

### Intangible assets

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

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

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

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

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

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

### Impairment of assets

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

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

### Leases

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

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

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

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

### Provisions

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

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

### Financial instruments

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

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

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

- (i) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets not classified as amortized cost as described above are measured at FVTPL.

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

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

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

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

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

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

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### Share capital

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

### Revenue recognition

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

Net revenue reflects the Company's sale of merchandise, less returns and discounts. Retail revenue at point-of-sale is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns. For merchandise that is ordered and paid for in a boutique and subsequently picked up by or delivered to the customer, revenue is deferred until control of the merchandise has been transferred to the customer. eCommerce revenue is recognized at the date of estimated delivery to the customer, and measured at the fair value of the consideration received, net of discounts and an estimated allowance for returns. Shipping fees charged to customers are recorded as revenue.

Revenues are reported net of sales taxes collected for various governmental agencies.

Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the Company recognizes the related revenue. The Company estimates gift card breakage, to the extent there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

### Cost of goods sold

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

### Selling, general and administrative

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

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### Employee benefits

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

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

### Government grants

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

### Income tax expense

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

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

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

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

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

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### Stock-based compensation expense

#### Stock Option Plans

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

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

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

#### Deferred Share Units and Restricted Share Units

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

#### Performance Share Units

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

#### Net income per share

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

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

### **3 Significant new accounting standards**

Standards issued but not yet adopted

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

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

#### Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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



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Financial Instruments (Amendments to IFRS 9)

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

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

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

#### **4 Critical accounting estimates and judgments**

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

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

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

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- Goodwill and indefinite life intangible asset impairment testing, which requires management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate estimates regarding future events, specifically future cash flows, growth rates and discount rates (note 8). The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment. In testing for impairment, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the business combination, which involves judgment.
- Incremental borrowing rate used for calculating lease liabilities and right-of-use-assets. The Company estimates the incremental borrowing rate of each leased asset as the rate of interest that the Company would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment (note 9).
- Lease terms, which requires judgment on whether the Company is reasonably certain, at the lease commencement date, it will exercise available renewal or termination options, and thus include such options in the lease terms (note 9). The Company considers all facts and circumstances that create an economic incentive to exercise a renewal or termination option.
- The Company uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. The Company may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Assumptions and estimates are used to determine cash flow projections, including the period of future benefit, future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.
- Non-controlling interest in exchangeable shares liability involves uncertainty in estimating the fair value of the obligation on a recurring basis. The fair value estimate includes inputs associated with expected volatility, anticipated timing and discount rate associated with the obligation.

## 5 Acquisition of CYC Design Corporation

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

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

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

The acquisition date fair values are as follows:

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

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

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

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

### 6 Inventory

|                           | February 27,<br>2022 | February 28,<br>2021 |
|---------------------------|----------------------|----------------------|
| Finished goods            | \$ 131,954           | \$ 120,182           |
| Finished goods in transit | 69,656               | 48,888               |
| Raw materials             | 6,515                | 2,751                |
| <b>Inventory</b>          | <b>\$ 208,125</b>    | <b>\$ 171,821</b>    |

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

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

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

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### 7 Property and equipment

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

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

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### 8 Goodwill and intangible assets

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

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

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

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

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

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

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

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

## **9 Leases**

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

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

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

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

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

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



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

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

|                                                   |           |                |
|---------------------------------------------------|-----------|----------------|
| Less than 1 year                                  | \$        | 106,371        |
| Between 1 and 5 years                             |           | 333,332        |
| More than 5 years                                 |           | 135,408        |
| <b>Future undiscounted minimum lease payments</b> | <b>\$</b> | <b>575,111</b> |

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

### 10 Accounts payable and accrued liabilities

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

### 11 Other non-current liabilities

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

### 12 Bank indebtedness and long-term debt

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

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

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

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

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

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

### 13 Financial instruments

Fair value of financial instruments

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

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

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

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

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

### Equity derivative contracts

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

### Contingent consideration

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

### Non-controlling interest in exchangeable shares liability

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

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

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

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

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

|                                          | <b>February 27,<br/>2022</b> | June 25,<br>2021 |
|------------------------------------------|------------------------------|------------------|
| Initial business enterprise value (100%) | <b>\$63.0 million</b>        | \$63.0 million   |
| Gross profit expected volatility         | <b>20.0%</b>                 | 20.0%            |
| Gross profit discount rate               | <b>13.0%</b>                 | 12.5%            |
| Expected life                            | <b>4.5 years</b>             | 5.2 years        |

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

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

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

## 14 Share capital

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

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

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

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

## 15 Stock options

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

### Legacy Plan

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

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

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

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

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

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

### Omnibus Plan

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

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

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

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

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

The weighted average fair value of stock options estimated at the grant date for the year ended February 27, 2022 was \$12.86 (February 28, 2021 - \$6.68).

The weighted average fair value of the time-based stock options granted during the year ended February 27, 2022 was estimated at the date of grant based on the Black-Scholes option pricing model using the following assumptions:

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

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

### Director Deferred Share Unit ("DSU") Program

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

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

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

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

### Restricted Share Unit ("RSU") Program

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

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

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

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



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### Performance Share Unit ("PSU") Program

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

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

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

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

## 16 Net income per share

### a) Basic

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

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

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### b) Diluted

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

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

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

## 17 Net Revenue

Net revenue disaggregated for eCommerce and boutiques was as follows:

|                    | February 27,<br>2022 | February 28,<br>2021 |
|--------------------|----------------------|----------------------|
| eCommerce revenue  | \$ 564,340           | \$ 425,929           |
| Retail revenue     | 930,290              | 431,394              |
| <b>Net revenue</b> | <b>\$ 1,494,630</b>  | <b>\$ 857,323</b>    |

## 18 Expenses by nature

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

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

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

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

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## 19 Income taxes

### a) Income tax expense

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

### b) Reconciliation of effective tax rate

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

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

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### c) Deferred income tax

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

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

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

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

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

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

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### 20 Segment information

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

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

|                    | February 27,<br>2022 | February 28,<br>2021 |
|--------------------|----------------------|----------------------|
| Canada             | \$ 818,495           | \$ 565,591           |
| United States      | 676,135              | 291,732              |
| <b>Net revenue</b> | <b>\$ 1,494,630</b>  | <b>\$ 857,323</b>    |

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

|                                          | February 27,<br>2022 | February 28,<br>2021 |
|------------------------------------------|----------------------|----------------------|
| Canada                                   | \$ 534,419           | \$ 458,729           |
| United States                            | 337,902              | 307,987              |
| <b>Non-current, non-financial assets</b> | <b>\$ 872,321</b>    | <b>\$ 766,716</b>    |

### 21 Commitments and contingencies

#### a) Product purchase obligations

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

#### b) Letters of credit

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

### 22 Related party transactions

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

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The Company entered into the following transactions with related parties:

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

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

## 23 Supplemental cash flow information

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

(in thousands of Canadian dollars, unless otherwise noted)

## 24 Financial risk management

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

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

### a) Market risk

#### Currency risk

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

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

#### Interest rate risk

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

#### Equity price risk

The Company is exposed to risk arising from the cash settlement of our deferred and restricted share units, as an appreciating subordinate voting share price increases the potential cash outflow. We record a liability for the potential future settlement of our deferred and restricted share units by reference to the fair value of the liability. We use equity derivative contracts (total return swaps) to offset our cash flow variability of the expected payment associated with our deferred and restricted share units. We only enter into equity derivative contracts with major financial institutions. As at February 27, 2022, an increase (or



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

### b) Credit risk

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

### c) Liquidity risk

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

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

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

(in thousands of Canadian dollars, unless otherwise noted)

## 25 Capital management

The Company's objectives when managing capital are to:

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

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

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