MAV

BEAUTY BRANDS

MAV BEAUTY BRANDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

March 30, 2021

The following Management's Discussion and Analysis ("**MD&A**") is prepared as of March 30, 2021 and provides information concerning MAV Beauty Brands Inc.'s ("**MAV Beauty Brands**", the "**Company**", "**we**" or "**us**") financial condition and results of operations. This MD&A should be read in conjunction with our annual audited consolidated financial statements, including the related notes thereto, for the year ended December 31, 2020. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results, performance and achievements could differ materially from those implied by these forward-looking statements as a result of various factors, particularly under "Forward-Looking Information" and "Risk Factors".

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards ("**IFRS**"), do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "Adjusted EBITDA", "Adjusted Net Income", "EBITDA", "Free Cash Flow", "Adjusted Free Cash Flow", "Net Debt" and "Net Debt to Adjusted EBITDA". These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Some of the information contained in this MD&A contains forward-looking information. This information may relate to anticipated events or results and include, but are not limited to, expectations regarding industry trends, our growth rates and growth strategies, the impact of the COVID-19 pandemic on our business and other statements that are not historical facts. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may" "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A.

However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's annual information form dated March 30, 2021 for the fiscal year ended December 31, 2020 (the "**AIF**"), a copy of which is available under the Company's profile on SEDAR at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these statements.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Basis of Presentation

Our annual audited consolidated financial statements have been prepared in accordance with IFRS and are presented in thousands of U.S. dollars. Accordingly, unless otherwise noted herein, all financial information in this MD&A is presented in thousands of U.S. dollars. In this MD&A, references to North America refer to Canada and the United States. The Company prepared the annual audited consolidated financial statements in accordance with IFRS, using the accounting policies described in Note 3 of the annual audited consolidated financial statements.

All references in this MD&A to "**Q4 2020**" are to the three month period ended December 31, 2020, "**Q4 2019**" are to the three month period ended December 31, 2019, "**Fiscal 2020**" are to the fiscal year ended December 31, 2020 and "Fiscal 2019" are to the fiscal year ended December 31, 2019.

On November 12, 2019, the Company acquired all of the membership interests of The Mane Choice Hair Solution, LLC. ("**The Mane Choice**"). The financial statements for Q4 2019 and Fiscal 2019 include the results of The Mane Choice from the acquisition date. In this MD&A, this acquisition is referred to as the "2019 Acquisition".

On January 23, 2018, the Company acquired all of the shares of Cake Beauty Inc. (the "**Cake Acquisition**") and on March 8, 2018, all of the membership interests of Renpure, LLC (the "**Renpure Acquisition**"). In this MD&A, such acquisitions are referred to as the "**2018 Acquisitions**".

The annual audited consolidated financial statements and the accompanying notes for Fiscal 2020 and this MD&A were reviewed and approved by the Company's Board of Directors (the "**Board**") on March 30, 2021.

Overview

MAV Beauty Brands is a global personal care company focused on acquiring great independent brands and helping these brands to scale and win market share. We have built an operating platform to build brands through expanded distribution, innovation, and marketing. Today, we have a diversified portfolio of four complementary personal care brands – Marc Anthony True Professional, Renpure, Cake Beauty and The Mane Choice – offering premium quality hair care, body care and beauty products. These products are sold in over 25 countries around the world and in more than 100 of the world's largest retailers.

MAV Beauty Brands' unique collection of category-leading brands are winning market share in some of the largest, fastest growing, most attractive and historically recession-resistant categories of the personal care industry. Within hair care and body care, our brands complement each other by targeting different rapidly growing categories. Our brands target a wide range of consumers and trends, while the distinct appeal of each brand allows them to be stocked on the same shelf without directly competing with each other. We are also expanding our brands into other adjacent complementary categories of the personal care industry. Our core brands include Marc Anthony, which focuses on professional quality products that deliver hair care solutions at an affordable price; Renpure, a family-operated personal care brand focused on offering affordable, and efficacious natural-inspired hair products for the whole family; Cake Beauty, an emerging vegan, cruelty-free naturally luxe lifestyle brand; and The Mane Choice, a fast-growing brand focused on innovative science-based hair products for wavy to textured hair.

Within hair care, our largest served category today, we utilize a highly strategic pricing strategy that targets consumers looking for professional-quality products with comparable performance to Salon & Salon-Diverted products. This strategy provides products that appeal to a large number of consumers while generating more attractive shelf space economics for our retail partners than those achieved by Traditional Mass Market products.

We have strong and longstanding relationships with leading retailers, as well as distributors that sell our products internationally. Retailers have consistently supported us by increasing the number of retail stores that stock our brands and by allocating increasing shelf space to our product portfolio.

On July 10, 2018, the Company closed its initial public offering (the "**IPO**") of common shares (the "**Shares**"). The IPO included a treasury offering by the Company and a secondary offering of Shares by entities owned, controlled or managed by TA Associates Management, L.P., Marc Anthony Venere, and the Redmond Family (collectively, the "**Selling Shareholders**"). The Company sold 9,000,000 Shares and the Selling Shareholders sold an aggregate of 8,267,000 Shares under the IPO. The Company did not receive any proceeds from the secondary offering.

Financial Highlights

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

Q4 2020 Compared to Q4 2019:

Select financial highlights include the following:

- Revenue decreased by 22.8%, or $7.0 million, to $23.8 million in Q4 2020 compared to $30.8 million in Q4 2019.

- Net income increased by $1.3 million to $0.1 million in Q4 2020 compared to a loss of $1.2 million in Q4 2019.

- Adjusted EBITDA decreased by 60.0%, or $5.1 million, to $3.4 million in Q4 2020 from $8.5 million in Q4 2019.

- Adjusted Net Income decreased by $1.5 million to $0.8 million in Q4 2020 compared to income of $2.3 million in Q4 2019.

(in thousands of US dollars) (unaudited)	Q4 2020	Q4 2019	$ Change	% Change
Consolidated statements of operations:				
Revenue	23,782	30,788	(7,006)	(22.8%)
Cost of sales	14,264	17,414	(3,150)	(18.1%)
Gross profit	9,518	13,374	(3,856)	(28.8%)
Expenses				
Selling and administrative	6,446	6,833	(387)	(5.7%)
Amortization and depreciation	1,081	953	128	13.4%
Interest and accretion	1,841	1,910	(69)	(3.6%)
Foreign exchange loss	408	389	19	4.9%
Integration, restructuring, and other	196	2,328	(2,132)	(91.6%)
	9,972	12,413	(2,441)	(19.7%)
Income before income taxes	(454)	961	(1,415)	(147.2%)
Income tax expense (recovery)				
Current	(20)	(586)	566	(96.6%)
Deferred	(542)	2,736	(3,278)	(119.8%)
	(562)	2,150	(2,712)	(126.1%)
Net income (loss) for the period	108	(1,189)	1,297	(109.1%)
EBITDA (1)	2,468	3,824	(1,356)	(35.5%)
Adjusted EBITDA (1)	3,397	8,501	(5,104)	(60.0%)
Adjusted Net Income (1)	800	2,295	(1,495)	(65.1%)

Note:
(1) See "Non-IFRS Measures".

Fiscal 2020 Compared to Fiscal 2019:

Select financial highlights include the following:

- Revenue increased by 7.4%, or $8.0 million to $116.5 million in Fiscal 2020 compared to $108.5 million in Fiscal 2019.
- Net income increased by $2.4 million to $6.5 million in Fiscal 2020 compared to $4.1 million in Fiscal 2019.
- Adjusted EBITDA decreased by 3.4%, or $1.0 million, to $28.5 million in Fiscal 2020 from $29.5 million in Fiscal 2019.
- Adjusted Net Income increased by $1.2 million to $12.6 million in Fiscal 2020 compared to $11.4 million in Fiscal 2019.

(in thousands of US dollars)	**Fiscal 2020**	**Fiscal 2019**	**$ Change**	**% Change**
Consolidated statements of operations:				
Revenue	**116,543**	**108,496**	**8,047**	**7.4%**
Cost of sales	**62,357**	**56,682**	**5,675**	**10.0%**
Gross profit	**54,186**	**51,814**	**2,372**	**4.6%**
Expenses				
Selling and administrative	**29,819**	**27,127**	**2,692**	**9.9%**
Amortization and depreciation	**4,209**	**3,645**	**564**	**15.5%**
Interest and accretion	**7,421**	**7,392**	**29**	**0.4%**
Foreign exchange loss	**318**	**485**	**(167)**	**(34.4%)**
Integration, restructuring, and other	**3,808**	**4,514**	**(706)**	**(15.6%)**
	45,575	**43,163**	**2,412**	**5.6%**
Income before income taxes	**8,611**	**8,651**	**(40)**	**(0.5%)**
Income tax expense				
Current	**—**	**41**	**(41)**	**(100.0%)**
Deferred	**2,105**	**4,538**	**(2,433)**	**(53.6%)**
	2,105	**4,579**	**(2,474)**	**(54.0%)**
Net income for the year	**6,506**	**4,072**	**2,434**	**59.8%**
EBITDA (1)	**20,241**	**19,688**	**553**	**2.8%**
Adjusted EBITDA (1)	**28,470**	**29,487**	**(1,017)**	**(3.4%)**
Adjusted Net Income (1)	**12,637**	**11,372**	**1,265**	**11.1%**

Note:

(1) See “Non-IFRS Measures”.

Summary of Factors Affecting Performance

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America and internationally, we have seen, and expect to continue to see, a significant disruption of many of the factors affecting our operations and performance. COVID-19 has resulted in governments worldwide enacting various emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, border shutdowns between Canada and the United States, self-imposed quarantine periods, closing of non-essential businesses, social distancing and the cancellation of gatherings and events, have impacted our operations, our suppliers and our customers. The continued effect of such emergency measures, will depend on future developments, including the duration of COVID-19, which are uncertain and cannot be predicted.

We generally believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the “Risk Factors” sections of this MD&A and the Company’s AIF, which is available on SEDAR at www.sedar.com.

Our Brands

MAV Beauty Brands has a diverse collection of authentic and rapidly growing brands that offer consumers a wide range of high quality and innovative products. Our portfolio, including Marc Anthony, Renpure, Cake Beauty and The Mane Choice, was built to ensure that each of our brands targets a distinct consumer segment with limited competitive overlap. The Company continues to leverage its operating platform and innovation engine to support the success of its brands. We believe our brands position MAV Beauty Brands to be one of the most relevant and innovative personal care companies in North America. Maintaining, enhancing and growing our brand appeal in North America, as well as in large core markets internationally, is critical to our continued success.

Product Innovation

We believe that product innovation is critical to our success. Our disciplined, entrepreneurial and agile innovation process and unique formulation capabilities represent a critical competitive advantage by allowing us deliver exciting, on-trend products to our retail partners faster and more frequently than our competitors. Our innovation cycle and consumer-centric approach provides us with the ability to consistently deliver both highly successful new products and enhancements to existing products to our consumers, retail partners and distributors with the benefit of feedback and market validation. The inspiration for our new products comes from multiple sources, including beauty experts that are at the forefront of trends and gather real-time insight on evolving consumer preferences, collaboration with key buyers at our strongest retailers and bi-annual company-wide innovation summits. Our new product formulas and formats are meticulously designed by our integrated in-house technical product development team, an approach which has allowed us to utilize effective new ingredients, optimize our formulation process and take new products to market faster and more frequently than less nimble competitors. Our collaborative relationships with retail partners enable us to innovate and selectively test new products and product-line extensions with strategic retailers prior to executing a more mainstream and comprehensive product launch. Our asset-light business model, whereby we outsource production to a diverse set of suppliers with whom we have longstanding relationships, allows us to react quickly to retailer requests, access significant production volume capacity and efficiently manage operations.

Consumer Trends

The global personal care industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on continued consumer interest in our existing or new products and our ability to accurately anticipate consumer needs and develop products that meet those needs in a timely manner. We believe that MAV Beauty Brands has a unique and attractive product portfolio that has an ability to stay on-trend through our ongoing product innovation cycle.

Our in-house technical product development team, including brand leaders, research and development experts and creative designers, works closely with our management, retailers and other constituents, to allow for a seamless process to bring a product from idea to retail shelves. We collaborate closely with our retail partners to develop innovative products that will excite consumers and drive in-store traffic. Our leading market position in Canada and strong relationships with retail partners provide us with an important competitive advantage through the ability to test consumer adoption by conducting selective trials of new products and product-line extensions with strategic retailers prior to executing a more mainstream and comprehensive product launch.

Relationships with Retail Partners and Distributors

We build strong and longstanding relationships with our retail partners and international distributors by continually building on our robust pipeline of new products and regularly evaluating potential enhancements to existing product formulations and packaging. This focus on on-trend branded products with compelling quality and value in turn has generally led to increased distribution, enhanced in-store placement and an increasing amount of shelf space with our retail partners.

Our category leading brands are distinctly positioned to enable MAV Beauty Brands to address a wide variety of consumers, personal care trends, and retail partner needs with limited competitive overlap, which is highly valued by our retail partners and international distributors. We have strong and longstanding relationships with leading retailers, as well as distributors that sell our products internationally. Retailers have consistently supported us by increasing the number of retail stores that stock our brands and allocating additional shelf space to our product portfolio.

Sourcing and Production

We have developed a strong, global supply chain based on long standing relationships. We work closely with our-third-party suppliers on new product innovation and quality. Our product development team designs our formulas and our suppliers produce to our specifications. We also purchase packaging components that are manufactured to our design specifications. Our manufacturing process is centered on close collaboration with a network of leading third-party manufacturers in North America who meet our quality standards. We work with our manufacturers and supply network to achieve high quality, flexible, capital-light and cost-effective structure. We believe that we have identified ample manufacturing capacity as well as back-up capability in the event that one or more suppliers or manufacturers cannot meet our needs.

Competition

The global personal care industry is highly competitive. Our direct competition consists of publicly and privately owned companies, including large global CPG companies as well as other independent brands. We believe that we are able to successfully compete with our peer companies because of our differentiated brands, strong retailer relationships and disciplined and industry-leading innovation process. Our agile and innovative operating platform is a critical competitive advantage by allowing us to deliver exciting, on-trend products to our retail partners faster and more frequently than our competitors.

Acquisitions

We selectively evaluate entering complementary adjacent high-growth personal care categories by leveraging the strength of our existing brands through product innovation and through the acquisition of independent growth-oriented brands. Our growth strategy through strategic acquisitions is guided by our defined acquisition platform. The platform has a demonstrated track record as an acquirer of choice and an actionable acquisition pipeline that targets in beauty, health and wellness. From 2018 to 2020, we successfully acquired and continue to integrate Renpure, Cake Beauty and The Mane Choice. In pursuing potential acquisition candidates, we will assess several criteria, including: (i) entry or expansion into adjacent large and resilient categories; (ii) brand growth in on-trend segments; (iii) addition of strategic capabilities to our operating platform; (iv) asset-light, high margin model; and (v) financial attractiveness.

Foreign Exchange

Our financial statements are presented in U.S. dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Following the Renpure and The Mane Choice Acquisitions, the majority of our revenue and cost of goods sold are now derived in U.S. dollars. However, a significant portion of our revenue and cost of goods sold is derived in Canadian dollars. We do not hedge our exchange rate exposure through financial instruments as the current balance between our U.S. operations and our Canadian operations creates a partial natural hedge. As our international sales increase, we expect that we will diversify our exposure to other currencies.

Seasonality

The personal care industry is generally not subject to seasonal demand fluctuations as consumers tend to purchase hair care and body care products year-round. As our retail partners reset their inventories in the first quarter of each year, we tend to see an increase in our inventory in the third and fourth quarters as we prepare for such adjustments.

How We Assess the Performance of Our Businesses

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results. We refer to certain key performance indicators used by management and typically used by our competitors in the global personal care industry, certain of which are not recognized under IFRS. See "Non-IFRS Measures".

Revenue

The Company sells hair care, body care and beauty products both to distributors and retailers. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of incentives given to its customers.

For sales to distributors, revenues are recognized when control of the goods has transferred to the distributor, which is dependent on specific shipping terms. Following shipping, the distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when control of the goods has transferred to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales to retailers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due at the point in which control transfers.

The Company provides sales discounts and reductions through contract price discounts, payment terms, point of sale price reduction arrangements and customer returns and markdowns. If variable, the Company uses its accumulated historical experience to estimate the variable consideration to which it is entitled to, using the expected value method. If considered highly probable that a significant reversal in the cumulative revenue recognized will not occur, such consideration shall be recognized in revenue.

The Company conducts extensive promotional activities, primarily through the use of cooperative advertising, coupons, in-store displays, slotting fees and other funded costs from retail partners. The costs of such activities are recorded as a reduction of the transaction price over the period in which the goods or services are transferred to the customer, to the extent the consideration is not in exchange for a distinct good or service.

Gross profit

Gross profit reflects our revenue less cost of sales. Cost of sales includes the cost of finished goods inventory and costs related to in-bound freight and warehousing. Gross profit margin is gross profit divided by revenue.

Selling and administrative

Our selling and administrative expenses are predominantly comprised of wages and benefits, third-party commissions, outbound freight, travel, promotional and marketing costs, accounting fees, legal fees and other expenses related to the corporate infrastructure required to support our business.

EBITDA

We define EBITDA as net income (loss) for the period before: (i) income tax expense (recovery); (ii) interest and accretion; and (iii) amortization and depreciation.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure to assess the performance of our Company as it provides meaningful operating results and facilitates period-to-period operating comparisons. We define Adjusted EBITDA as EBITDA before certain expenses, costs, charges or benefits incurred in such period which in management's view are not indicative of continuing operations, including: (i) integration, restructuring, and other costs; (ii) purchase accounting adjustments; (iii) share-based compensation; and (iv) unrealized foreign exchange loss (gain).

Adjusted Net Income

We believe Adjusted Net Income is a useful measure to assess the performance of our Company as it provides meaningful operating results and facilitates period-to-period operating comparisons. We define Adjusted Net Income as net income (loss) as adjusted to add back or deduct, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are not indicative of continuing operations, including: (i) integration, restructuring, and other costs; (ii) purchase accounting adjustments; (iii) share-based compensation; (iv) unrealized foreign exchange loss (gain); and (v) tax impacts of the aforementioned adjustments (based on annual effective tax rate).

Free Cash Flow

Free cash flow is calculated as cash provided by operating activities less cash used to purchase property and equipment. Free cash flow is a key metric used by the investing community that measures the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends and repurchase shares.

Adjusted Free Cash Flow

Adjusted free cash flow is calculated as free cash flow adjusted to add back acquisition related costs which are included in cash provided by operating activities. We believe Adjusted free cash flow is a useful measure to assess the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends and repurchase shares. It also facilitates period-to-period comparisons.

Net debt and Net debt to Adjusted EBITDA

Net debt is calculated as long-term debt before unamortized deferred financing costs less cash as reported in the consolidated statements of financial position. Net debt to Adjusted EBITDA is calculated as net debt divided by Adjusted EBITDA for the four trailing quarters. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date. Net debt to Adjusted EBITDA is an important measure of the Company's liquidity.

Non-IFRS Measures

The following tables provides a reconciliation of consolidated net income to EBITDA, Adjusted EBITDA and Adjusted Net Income for Q4 2020, Q4 2019, Fiscal 2020, and Fiscal 2019.

(in thousands of US dollars) (unaudited)		**Q4 2020**	**Q4 2019**	**Fiscal 2020**	**Fiscal 2019**
Consolidated net income (loss):		**108**	**(1,189)**	**6,506**	**4,072**
Income tax expense		**(562)**	**2,150**	**2,105**	**4,579**
Interest and accretion		**1,841**	**1,910**	**7,421**	**7,392**
Amortization and deprecation		**1,081**	**953**	**4,209**	**3,645**
EBITDA		**2,468**	**3,824**	**20,241**	**19,688**
Integration, restructuring, and other	(1)	**196**	**2,328**	**3,808**	**4,514**
Purchase accounting adjustments	(2)	**—**	**1,354**	**2,321**	**1,354**
Share-based compensation	(3)	**314**	**609**	**2,006**	**3,422**
Unrealized foreign exchange loss		**419**	**386**	**94**	**509**
Adjusted EBITDA		**3,397**	**8,501**	**28,470**	**29,487**

(in thousands of US dollars) (unaudited)		Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Consolidated net income (loss):		**108**	**(1,189)**	**6,506**	**4,072**
Integration, restructuring, and other	(1)	**196**	**2,328**	**3,808**	**4,514**
Purchase accounting adjustments	(2)	**—**	**1,354**	**2,321**	**1,354**
Share-based compensation	(3)	**314**	**609**	**2,006**	**3,422**
Unrealized foreign exchange loss (gain)		**419**	**386**	**94**	**509**
Tax impact of the above adjustments		**(237)**	**(1,193)**	**(2,098)**	**(2,499)**
Adjusted Net Income		**800**	**2,295**	**12,637**	**11,372**

Note:

(1) Refer to Note 12 to the annual audited consolidated financial statements for further details.

(2) In conjunction with the 2019 Acquisition, the fair value adjustment of inventory as part of the initial purchase price allocation was expensed to cost of sales as the inventories were sold.

(3) Represents recognition of share-based payments, which have been accounted for as selling and administrative expenses.

The following table provides a reconciliation of cash provided by operating activities to free cash flow and adjusted free cash flow for the periods indicated:

(in thousands of US dollars) (unaudited)	Q4 2020	Q4 2019	Fiscal 2020	Fiscal 2019
Cash provided by operating activities	**5,066**	**1,382**	**14,781**	**10,116**
Less: purchase of property and equipment	**(229)**	**(222)**	**(1,343)**	**(2,468)**
Free cash flow	**4,837**	**1,160**	**13,438**	**7,648**
Add: Acquisition related costs	**—**	**1,874**	**—**	**2,135**
Adjusted free cash flow	**4,837**	**3,034**	**13,438**	**9,783**

The following table provides a reconciliation of borrowings and cash to net debt and net debt to Adjusted EBITDA as at December 31, 2020 and December 31, 2019:

(in thousands of US dollars) (unaudited)	As at December 31, 2020	As at December 31, 2019
Total borrowings, before unamortized deferred financing costs	**143,500**	**139,000**
Cash	**(19,074)**	**(5,672)**
Net debt	**124,426**	**133,328**
Net debt (numerator)	**124,426**	**133,328**
Adjusted EBITDA (denominator) (1)	**28,470**	**29,487**
Net debt to Adjusted EBITDA	**4.37**	**4.52**

Note:

(1) Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the “Summary of Consolidated Quarterly Results and Certain Performance Measures” section. For Fiscal 2019, Adjusted EBITDA includes the results for The Mane Choice subsequent to November 12, 2019.

The following table provides selected consolidated financial position data for the years indicated:

(in thousands of US dollars)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Selected consolidated financial position data			
Total assets	**426,433**	**412,148**	**358,065**
Total non-current liabilities	**169,782**	**161,338**	**123,088**

The following table provides selected consolidated financial results data for the years indicated:

(in thousands of US dollars, except for per share figures)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Selected consolidated results of operations			
Total revenue	**116,543**	**108,496**	**94,039**
Net income	**6,506**	**4,072**	**(10,402)**
Earnings per share, basic	**0.18**	**0.11**	**(0.43)**
Earnings per share, diluted	**0.15**	**0.10**	**(0.43)**

Results of Operations

Q4 2020 Compared to Q4 2019

The following section provides an overview of our financial performance during Q4 2020 compared to Q4 2019.

Revenue

Revenue decreased by 22.8%, or $7.0 million, to $23.8 million in Q4 2020 compared to $30.8 million in Q4 2019. For the Canada/US region, revenue decreased by 26%, or $7.7 million to $22.2 million, compared to $29.9 million in Q4 2019. For the International region, revenue increased by 71.3% or $0.7 million to $1.6 million, compared to $0.9 million in Q4 2019.

The overall decrease in revenue reflects the negative impact of several COVID-related factors, including a category-wide decrease in haircare sales we believe to be the result of reduced foot traffic due to COVID-19 related restrictions and lockdowns and closures of some of our retailers, as well as other factors, and temporary disruptions in our third-party warehousing and manufacturing operations. The overall haircare category in U.S. food, drug, and mass (“FDM”) retailers experienced a sales decline of single digits in Q4 2020, the largest decline of any quarter in 2020. Sales in the drug channel, where the Company, over-indexes in sales and distribution, were most severely impacted, reflecting what we believe to be reduced retail foot traffic particularly in front of store, due to COVID-related restrictions and lockdowns, among other factors. These declines resulted in decreased and delayed retailer replenishment as retailers adjusted inventory levels to reflect lower sell-through. Partly offsetting these factors, the Company’s e-commerce results remain robust and doubled over the prior year, led by strong Amazon sales of several of the Company’s brands.

Cost of sales

Cost of sales decreased by 18.1%, or $3.1 million, to $14.3 million in Q4 2020 compared to $17.4 million in Q4 2019. The decrease in cost of sales compared to Q4 2019 reflects the impact of the decreased revenue.

Gross profit

Gross profit decreased by 28.8%, or $3.9 million, to $9.5 million in Q4 2020 compared to $13.4 million in Q4 2019 due to the factors discussed above. Gross profit margin was 40.0% in Q4 2020 compared to 43.4% in Q4 2019. Excluding the impact of the purchase accounting adjustment for the 2019 Acquisition, gross profit margin was 47.8% in Q4 2019.

The decline in gross profit margin in the current year was primarily driven by additional costs associated with annual retailer shelf resets, which resulted in higher-than-normal markdowns and discontinuations that partly reflect shifting consumer preferences during the pandemic. In terms of SKU distribution, the markdowns were largely offset by new SKU introductions.

Selling and administrative

Selling and administrative expense decreased by 5.7%, or $0.4 million, to $6.4 million in Q4 2020 compared to $6.8 million in Q4 2019.

Selling and administrative expense as a percentage of revenue increased to 27.1% in Q4 2020 from 22.2% in Q4 2019.

Excluding share-based compensation for Q4 2020, selling and administrative expense was $6.1 million, and as a percentage of revenue 25.8%, compared to $6.0 million, and 20.2% in Q4 2019. The year-over year change in selling and administrative expense as a percentage of revenue reflects the impact of lower revenues in the current quarter.

EBITDA

EBITDA decreased to $2.5 million in Q4 2020 compared to $3.8 million in Q4 2019. The decrease in EBITDA in Q4 2020 was primarily attributable to decrease in gross profit of $3.9 million offset by $2.1 million decrease in integration, restructuring, and other expenses.

Foreign exchange loss

Foreign exchange loss was $0.4 million in Q4 2020, consistent with Q4 2019.

Amortization and depreciation

Amortization and depreciation expense was $1.1 million in Q4 2020 compared to $1.0 million in Q4 2019 due to additional capital and intangible assets acquired.

Interest and accretion

Interest and accretion expense decreased by $0.1 million in Q4 2020 to $1.8 million compared to $1.9 million in Q4 2019.

Integration, restructuring, and other

Integration, restructuring, and other charges decreased to $0.2 million in Q4 2020 from $2.3 million in Q4 2019. In Q4 2019, these costs primarily comprised acquisition related costs.

Income tax expense

Income tax recovery was $0.6 million in Q4 2020 compared to income tax expense of $2.2 million in Q4 2019 due to the change in taxable income and effect of expenses that are not deductible in determining taxable profit.

Net income for the period and Adjusted Net Income

In Q4 2020, we generated a net income of $0.1 million, compared to net loss of $1.2 million in Q4 2019 due to the factors discussed above.

Adjusted Net Income decreased by $1.5 million, to $0.8 million in Q4 2020 compared to $2.3 million in Q4 2019 due to the factors discussed above.

Adjusted EBITDA

Adjusted EBITDA decreased by 60.0%, or $5.1 million, to $3.4 million in Q4 2020 from $8.5 million in Q4 2019 due to the factors discussed above for EBITDA and after excluding integration, restructuring, and other costs, purchase accounting adjustments, share-based compensation, and unrealized foreign exchange.

Fiscal 2020 Compared to Fiscal 2019

The following section provides an overview of our financial performance during Fiscal 2020 compared to Fiscal 2019.

Revenue

Revenue increased by 7.4%, or $8.0 million, to $116.5 million in Fiscal 2020 compared to $108.5 million in Fiscal 2019. For the Canada/US region, revenue increased by 9.5%, or $9.5 million to $110.5 million in Fiscal 2020 compared to the same period last year. For the International region, revenue decreased by 20%, or $1.5 million to $6.0 million in Fiscal 2020 compared to the same period last year.

For the Canada/US region, the increase in revenue primarily reflects the addition of The Mane Choice brand which was acquired at the end of fiscal 2019.

For the International region, the decrease in revenue reflects economic volatility in certain markets, as well as the impacts of COVID-19.

While the Company's operations were largely resilient throughout 2020, several COVID-related factors negatively impacted Q4 results, as discussed above. Offsetting these factors, our e-commerce results were robust and doubled over the prior year, led by strong Amazon sales of several of the Company's brands.

Cost of sales

Cost of sales increased by increased 10.0%, or $5.7 million, to $62.4 million in Fiscal 2020 compared to $56.7 million in Fiscal 2019.

The increase in cost of sales compared to Fiscal 2019 reflects the impact of the increased revenue, the 2019 Acquisition and the related purchase accounting adjustments in the amount of $2.3 million.

Cost of sales as a percentage of revenue was 53.5% in Fiscal 2020 compared to 52.2% in Fiscal 2019.

Gross profit

Gross profit increased by 4.6%, or $2.4 million, to $54.2 million in Fiscal 2020 compared to $51.8 million in Fiscal 2019 due to the factors discussed above.

Gross profit margin, as reported, was 46.5% in Fiscal 2020 compared to 47.8% in Fiscal 2019. Excluding the impact of the purchase accounting adjustments for the 2019 Acquisition, gross profit margin was 48.5% in Fiscal 2020 compared to 49.0% in Fiscal 2019.

Selling and administrative

Selling and administrative expense increased by 9.9%, or $2.7 million, to $29.8 million in Fiscal 2020 compared to $27.1 million in Fiscal 2019. The increase was primarily due to the 2019 Acquisition partially offset by lower share-based compensation.

Selling and administrative expense as a percentage of revenue increased by 0.6% to 25.6% in Fiscal 2020 from 25.0% in Fiscal 2019.

Excluding share-based compensation for Fiscal 2020, selling and administrative expense was $27.8 million, and as a percentage of revenue is 23.9%, compared to 21.8% in Fiscal 2019. The prior year benefited from lower selling and administrative expenses for The Mane Choice, which was acquired on Nov 12, 2019.

EBITDA

EBITDA increased by 2.8%, or $0.5 million, to $20.2 million in Fiscal 2020 compared to $19.7 million in Fiscal 2019. The increase in EBITDA in Fiscal 2020 was primarily attributable to the factors discussed above.

Foreign exchange loss

Foreign exchange loss was $0.3 million in Fiscal 2020 compared to loss of $0.5 million in Fiscal 2019 due to fluctuations in the exchange rates of our functional currency relative to various source currencies during the period.

Amortization and depreciation

Amortization and depreciation expense was $4.2 million in Fiscal 2020, compared to $3.6 million in Fiscal 2019 due to additional capital and intangible assets acquired.

Interest and accretion

Interest and accretion expense remained consistent at $7.4 million in Fiscal 2020 and Fiscal 2019.

Integration, restructuring, and other

Integration, restructuring, and other charges decreased by $0.7 million to $3.8 million in Fiscal 2020 from $4.5 million in Fiscal 2019. Included in Fiscal 2020 was a $1.4 million remeasurement of deferred consideration in connection with the acquisition of The Mane Choice as the Company amended the 2020 earnout structure to a fixed amount only, totaling $1.75 million, which will be paid in two equal installments in Q1 2021 and Q1 2022. The 2021 earnout – which would be paid in 2022, if achieved – has not been amended, and has a maximum payout amount of $16.0 million. The Company paid the 2019 earnout of $4.0 million in Q2 2020. Included in Fiscal 2019 were $2.1 million of acquisition related costs related to the acquisition of The Mane Choice.

Income tax expense

Income tax expense was $2.1 million in Fiscal 2020 compared to $4.6 million in Fiscal 2019 due to the change in taxable income and effect of expenses that are not deductible in determining taxable profit.

Net income and comprehensive income for the period and Adjusted Net Income

In Fiscal 2020, we generated a net income of $6.5 million, compared to net income of $4.1 million in Fiscal 2019 due to the factors discussed above.

Adjusted Net Income increased by $1.2 million, to $12.6 million in Fiscal 2020 from $11.4 million in Fiscal 2019 due to the factors discussed above.

Adjusted EBITDA

Adjusted EBITDA decreased by 3.4%, or $1.0 million, to $28.5 million in Fiscal 2020 from $29.5 million in Fiscal 2019 due to the factors discussed above for EBITDA and after excluding integration, restructuring, and other costs, purchase accounting adjustments, share-based compensation, and unrealized foreign exchange.

Summary of Consolidated Quarterly Results and Certain Performance Measures:

The following table summarizes the results of our operations for the last eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS. As a result of the 2019 Acquisition and 2018 Acquisitions, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

(in thousands of US dollars, except for per share figures) (unaudited)	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**
Revenue	**23,782**	**31,741**	**29,638**	**31,382**	**30,788**	**28,368**	**25,236**	**24,104**
Gross profit	**9,518**	**15,748**	**14,526**	**14,394**	**13,374**	**14,125**	**12,356**	**11,959**
Net income (loss) for the period	**108**	**3,559**	**1,604**	**1,235**	**(1,189)**	**2,939**	**1,217**	**1,105**
Basic net income (loss) per common share	**0.00**	**0.10**	**0.04**	**0.03**	**(0.03)**	**0.08**	**0.03**	**0.03**
Diluted net income (loss) per common share	**0.00**	**0.08**	**0.04**	**0.03**	**(0.03)**	**0.07**	**0.03**	**0.03**
EBITDA (1)	**2,468**	**7,868**	**4,791**	**5,114**	**3,824**	**7,264**	**4,515**	**4,085**
Adjusted EBITDA (1)	**3,397**	**8,700**	**8,059**	**8,314**	**8,501**	**8,476**	**6,301**	**6,209**

Notes:

(1) See “Non-IFRS Measures”.

Our results of operations for the last eight quarters were impacted by a number of factors that include:

- The impact of the 2019 Acquisition in Q4 2019 and 2018 Acquisitions in Q1 2018;
- The impact of the IPO and new Credit Facility, as well as the additional borrowing in Q4 2019 in connection with the 2019 Acquisition;
- The volume and timing of promotion and media;
- The volume of inventory and timing of shipments to distributors and retailers;
- Foreign currency fluctuations.

Liquidity and Capital Resources:

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs and debt service requirements. We believe that cash generated from our operations, together with amounts available under the Credit Facility, will be sufficient to meet our future operating expenses, capital expenditures, future debt service requirements and dividends. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. However, our ability to fund operating expenses, capital expenditures, future debt service requirements and dividends will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Risk Factors” as well as the “Summary of Factors Affecting Performance” in this MD&A for additional information. We review acquisition and investment opportunities in the normal course of our business and may make select acquisitions and investments to implement our business strategy when suitable opportunities arise.

Working Capital

The following table presents our working capital position as at December 31, 2020 and December 31, 2019:

(in thousands of US dollars)	As at December 31, 2020	As at December 31, 2019
Cash	**19,074**	**5,672**
Trade and other receivables	**20,192**	**25,417**
Inventories	**36,205**	**26,462**
Prepaid expenses	**3,143**	**3,696**
Accounts payable and accrued liabilities	**(18,496)**	**(16,297)**
Deferred revenue	**(28)**	**(101)**
Current portion of deferred consideration	**(2,434)**	**(5,556)**
Current portion of lease liability	**(242)**	**(292)**
Working Capital	**57,414**	**39,001**

As at December 31, 2020, we had $57.4 million of working capital compared to $39.0 million of working capital as at December 31, 2019. Refer to Note 20 to the annual audited consolidated financial statements for the impact of working capital changes on our operating cash flows.

Credit Facilities

Concurrent with the IPO, we, along with our subsidiaries, Marc Anthony Cosmetics Ltd. and MAC Pure Holdings, Inc., entered into a credit agreement with our direct and indirect subsidiaries, as guarantors, and the lenders from time to time party thereto, which is comprised of: (a) a revolving credit facility in the aggregate principal amount of $20 million: (i) to pay certain costs relating to the IPO and this new credit facility; (ii) to finance working capital and operational needs of our business; and (iii) for general corporate purposes (the "**Revolving Facility**"); and (b) a non-revolving term loan credit facility in the aggregate amount of up to $107.5 million: (i) to repay the indebtedness under the Financing Agreement and the Note Purchase Agreement; and (ii) to pay certain costs relating to the IPO and this credit facility (the "**Term Facility**", and together with the Revolving Facility, the "**Credit Facility**"). Pursuant to an amended and restated first amendment to the credit agreement dated November 13, 2019, the aggregate principal amount of the Term Facility was increased to $138.5 million, the proceeds of which were used to consummate the 2019 Acquisition. The Credit Facility includes an accordion feature in the amount of $50.0 million for working capital and general corporate purposes. The Credit Facility will mature on July 10, 2023.

Under the Credit Facility, we may borrow in U.S. dollars, by way of LIBOR based loans and base rate loans and in Canadian dollars, by way of bankers' acceptances and prime rate loans, in each case, plus the applicable margin in effect from time to time. In addition to the above, under the Revolving Facility, we may also borrow in Canadian dollars or U.S. dollars, by way of letters of credit plus the applicable margin in effect from time to time.

The Credit Facility provides for guarantees by us and our direct and indirect subsidiaries, including Marc Anthony Cosmetics Ltd. and MAC Pure Holdings, Inc. (the "**Credit Facility Guarantors**"). The Company, Marc Anthony Cosmetics Ltd., MAC Pure Holdings, Inc. and each of the other Credit Facility Guarantors provided a first priority lien over all property, subject to certain exclusions and permitted liens under the Credit Facility. The Company, Marc Anthony Cosmetics Ltd., MAC Pure Holdings, Inc. and each of the other Credit Facility Guarantors pledged 100% of the equity interests each entity holds in the capital of their respective subsidiaries, as applicable.

The Credit Facility contains negative covenants customary for credit facilities of this nature, including restrictions on the Company, Marc Anthony Cosmetics Ltd., MAC Pure Holdings, Inc. and each other Credit Facility Guarantors, subject to certain exceptions, as to: (a) indebtedness; (b) liens; (c) dividends or distributions on, or redemptions of equity interests; (d) investments; (e) non-ordinary course asset sales or other dispositions of property; (f) acquisitions; (g) amalgamations, mergers, consolidations, sale and lease back transactions; (h) material changes in corporate structure; (i) changes in business; and (j) transfers and registrations of intellectual property.

Cash Flows

The following table presents cash flows for Q4 2020 and Q4 2019:

(in thousands of US dollars) (unaudited)	Q4 2020	Q4 2019	$ Change	% Change
Cash, beginning of period	**14,237**	**5,423**	**8,814**	**162.53%**
Cash flows from (used in)				
Operating activities	**5,066**	**1,382**	**3,684**	**266.57%**
Investing activities	**(229)**	**(28,232)**	**28,003**	**-99.19%**
Financing activities	**—**	**27,099**	**(27,099)**	**-100.00%**
Cash, end of period	**19,074**	**5,672**	**13,402**	**236.28%**
Free cash flow (1)	**4,837**	**1,160**	**3,677**	**316.98%**
Adjusted free cash flow (1)	**4,837**	**3,034**	**1,803**	**59.43%**

Note:
(1) See "Non-IFRS Measures".

Cash flows generated from operating activities

Q4 2020, cash flow from operations was $1.9 million, before inflows of $3.2 million due to changes in non-cash working capital. Compared to the same period last year, we had a decrease in operating cash flows before changes in non-cash working capital of $1.9 million offset by a $5.6 million reduction in working capital investment.

Cash flows used in investing activities

Q4 2020, cash flows used in investing activities totaled $0.2 million compared to $28.2 million in Q4 2019, primarily reflecting the acquisition of The Mane Choice brand in Q4 2019.

Cash flows used in financing activities

Q4 2020, cash flows used in financing activities decreased by $27.1 million in comparison to Q4 2019. In Q4 2019, the Company received net $31.0 million from borrowings under the non-revolving term loan facility, made a net repayment of borrowings of $3.0 million, paid $0.7 million for deferred financing costs and paid $0.2 million for share repurchases.

Free cash flow and Adjusted free cash flow

The increase in free cash flow and adjusted free cash flow of $3.7 million and $1.8 million in Q4 2020 compared to Q4 2019 primarily reflects increase cash flow from operating activities of $3.7 million.

The following table presents cash flows for Fiscal 2020 and Fiscal 2019:

(in thousands of US dollars)	Fiscal 2020	Fiscal 2019	$ Change	% Change
Cash, beginning of period	**5,672**	**5,841**	**(169)**	**-2.9%**
Cash flows from (used in)				
Operating activities	**14,781**	**10,116**	**4,665**	**46.12%**
Investing activities	**(5,879)**	**(31,254)**	**25,375**	**-81.19%**
Financing activities	**4,500**	**20,969**	**(16,469)**	**-78.54%**
Cash, end of period	**19,074**	**5,672**	**13,402**	**236.28%**
Free cash flow (1)	**13,438**	**7,648**	**5,790**	**75.71%**
Adjusted free cash flow (1)	**13,438**	**9,783**	**3,655**	**37.36%**

Note:
(1) See "Non-IFRS Measures".

Cash flows generated from operating activities

Fiscal 2020, cash flow from operating activities totaled $14.8 million, an increase of $4.7 million from Fiscal 2019. Compared to the same period last year, we had an increase in operating cash flows before changes in non-cash working capital of $0.9 million and a $3.8 million reduction in working capital investment.

Cash flows used in investing activities

Fiscal 2020, cash flows used in investing activities totaled $5.9 million compared to $31.3 million in Fiscal 2019, a decrease of $25.4 million. In Fiscal 2020, the Company had a $1.1 million reduction in capital expenditures and paid deferred consideration of $5.5 million compared to $0.8 million in Fiscal 2019. Fiscal 2019 includes $27.9 million for the 2019 Acquisition while Fiscal 2020 includes $1.0 million of cash received in settlement of working capital adjustments relating to the 2019 Acquisition.

Cash flows provided by financing activities

Fiscal 2020, cash flows provided by financing activities totaled $4.5 million due to borrowings of $9.5 million under the Company's revolving term loan facility, offset by a $5.0 million repayment under the Company's term loan facility in Q3 2020. Fiscal 2019, the Company borrowed net $26.0 million under its revolving and non-revolving facilities, repurchased shares for $4.3 million, and incurred deferred financing costs of $0.8 million

Free cash flow and Adjusted free cash flow

The increase in free cash flow and adjusted free cash flow of $5.8 million and $3.7 million, respectively, in Fiscal 2020 compared to Fiscal 2019 primarily reflects increased cash flow from operating activities of $4.7 million and a $1.2 million reduction in capital expenditures.

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as at December 31, 2020, based on undiscounted cash flow:

(in thousands of US dollars)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Term loan	133,500	-	-	133,500	-
Revolver	10,000	-	-	10,000	-
Operating lease	4,721	505	1,013	1,081	2,122
Total contractual obligations	148,221	505	1,013	144,581	2,122

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Financial Instruments

Trade receivables and borrowings issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; *and*
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset classified as FVTPL is subsequently measured at fair value at each reporting period, with gains and losses recognized in the consolidated statements of operations and comprehensive income (loss). Financial assets classified measured at amortized cost are subsequently measured at using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment, and gains or losses on derecognition are recognized in the consolidated statements of operations and comprehensive income (loss).

Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of operations and comprehensive income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses, as well as gains or losses on derecognition, are recognized in the consolidated statements of operations and comprehensive income (loss).

The Company's financial assets and financial liabilities are classified as follows:

Asset / Liability	**Classification**
Cash	Amortized cost
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Borrowings	Amortized cost
Preferred shares	Amortized cost
Derivative financial instruments	Fair value (hedge accounting)
Deferred consideration	FVTPL

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Current Share and Information

As of the date hereof, the Company had 36,764,669 common shares, 3,178 Proportionate Voting Shares and 2,463,963 exchangeable shares issued and outstanding. As of the date hereof, an aggregate of 3,830,341 options to acquire common shares are outstanding, of which 1,742,923 are currently exercisable, and an aggregate of 48,326 restricted share units and an aggregate of 109,567 deferred share units are outstanding, representing the right to receive common shares or cash, in accordance with the terms of our long-term incentive plan.

Related Party Transactions

Balances and transactions between us and our subsidiaries have been eliminated on consolidation.

Critical Accounting Judgments and Estimates

In early 2020, the novel coronavirus disease ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial statements, including with respect to the valuation of the deferred consideration, credit risk of its counterparties, and determination of whether indicators of impairment exist for its tangible and intangible assets.

Provision for returns and promotional incentives

The Company uses historical data to estimate the value of the products sold in the current financial year that may be returned in a future year. For various sales discount programs and promotional incentives, the Company estimates the most likely amount payable to each customer under each trade and incentive program separately using expected sales volume and historical spending patterns.

Provision for expected credit losses

The measurement of expected credit losses for financial assets measured at amortized cost requires estimates and certain assumption about future economic conditions and credit behaviour. The expected recovery amount can vary from the actual cash received.

Inventory obsolescence

Inventory consists of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventory represents a significant portion of the asset base of the Company and its value is reviewed at each reporting period. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow moving. Actual net realizable value can vary from the estimated provision.

Functional currency

The Company assesses the relevant factors related to the primary economic environment in which its entities operate to determine the functional currency. Where the assessment of primary indicators is mixed, management assesses the secondary indicators, including the relationship between the foreign operations and reporting entity.

Useful lives of intangible assets

The estimated useful lives of intangible assets are reviewed at the end of each reporting period.

Impairment of goodwill, property and equipment and intangible assets

The Company tests whether goodwill, property and equipment and intangible assets have suffered impairment in accordance with International Accounting Standard ("IAS") 36 Impairment of assets.

Management is required to use judgment in determining the CGUs and reviewing impairment indicators. The Company has concluded that it has only one CGU and tests goodwill and intangible assets for impairment on that basis.

In determining the recoverable amount of a CGU, various estimates are employed. The recoverable amount of a CGU is the higher of its fair value less costs of disposal or VIU of the CGU. Fair value less costs of disposal are estimated with reference to observable market transactions. The VIU is calculated based on a discounted cash flow model. The discount rate requires the use of management judgment, particularly with respect to entity specific risk premiums. Judgment is also required in determining the effective terminal rate, which is based on management's assessment of the longer-term outlook of the Company.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The calculation of income taxes also requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company's tax filings also are subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Fair value estimates of share-based compensation

Fair value of stock options is determined using the Black-Scholes option-pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity settled share-based payments based on historical experience.

Fair value of deferred consideration

The fair value of the Company's deferred consideration requires estimates with respect to future performance targets, the likelihood and timing of payments, and the discount rates used in estimating the fair value gain or loss during each reporting period.

Significant New Accounting Standards Adopted

Effective January 1, 2020, the Company adopted the amendments to IFRS 3 – Business Combinations. The amendments help companies determine whether an acquisition is a business or a group of assets. There was no impact to the annual audited consolidated financial statements as a result of implementing the amendments.

Significant New Accounting Standards Not Yet Adopted

Amendments to IAS 1

In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1. 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. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IFRS 9

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes 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 still assessing the impact of adopting these amendments on its financial statements.

Risk Factors

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

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

The Board, in conjunction with management, is responsible for risk management and the identification of the principal risks of the Company's business and oversight of management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks. This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. Our Board provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risks, interest rate risks, credit risks and liquidity risks. As part of assessing and implementing appropriate policies and procedure to address specified risks, the Board may delegate financial and related risk management to the Audit Committee.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's principal financial assets that expose it to credit risk are trade and other receivables and the Company mitigates this risk by monitoring the credit worthiness of its customers.

The Company provides credit to its customers in the normal course of its operations. The amounts disclosed in the consolidated statements of financial position represent the maximum credit risk and are net of allowance for doubtful accounts, based on management's estimates taking into account the Company's prior experience and its assessment of the current and forward-looking economic environment. As at December 31, 2020, 36% of trade and other receivables is due from three customers (47% due from three customers as at December 31, 2019).

Two customers contributed 10% or more to the Company's revenue for the year ended December 31, 2020. One customer contributed 10% or more to the Company's revenue for the year ended December 31, 2019.

Interest rate risk

The Company is exposed mainly to fluctuations in US dollar interest rate on its borrowings. Interest rate risk on the borrowings is managed through the use of interest rate swaps effective December 31, 2020.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's interest and accretion expense for the year ended December 31, 2020 would increase by $719 ($578 for the year ended December 31, 2019).

Foreign currency risk

The Company undertakes sales and purchase transactions in foreign currencies and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to foreign currency risk.

The consolidated statements of financial position include the following amounts with respect to financial assets and liabilities for which cash flows are originally denominated in currencies other than U.S. dollars:

	As at December 31, 2020	**As at December 31, 2019**
Cash	**646**	**320**
Trade and other receivables	**4,819**	**3,894**
Accounts payable and accrued liabilities	**(9,693)**	**(6,592)**
Deferred consideration	**(1,559)**	**(2,856)**
Current taxes payable	**(53)**	**(40)**

As at December 31, 2020, if a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $584 (as at December 31, 2019, $527) due to the fluctuation and this would be recorded in the consolidated statements of operations and comprehensive income (loss).

Liquidity risk

The Company monitors and manages its liquidity to ensure that it has access to sufficient funds to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2020 and 2019, the most significant financial liabilities are: borrowings, deferred consideration, accounts payable and accrued liabilities.

Management of capital

The Company has implemented various capital policies, procedures and processes that are utilized to achieve its capital management objectives. These include optimizing the cost of capital and maximizing shareholder return while balancing the interests of stakeholders. The Company's capital is composed of share capital, exchangeable shares and borrowings used plus credit available under certain credit facilities, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations and acquisitions. The Company currently funds these requirements from cash flows from operating activities and cash raised through past share issuances. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures ("**DCP**") and internal controls over financial reporting ("**ICFR**"), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**").

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management, under the supervision of the CEO and the CFO (the "Certifying Officers"), has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its annual filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DCP as at December 31, 2020 and have concluded that the Company's DCP were effective as at December 31, 2020.

Internal Controls Over Financial Reporting

ICFR is a process designed under the supervision of the Certifying Officers, and effected by management and other personnel of the Company, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Certifying Officers are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. However, because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis.

The Company used the control framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013) to design the Company's ICFR.

The Company's management, under the supervision of the Certifying Officers, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as at December 31, 2020 and have concluded that the Company's ICFR were effective as at December 31, 2020.

Additional Information

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