Unaudited condensed consolidated interim financial statements of
MAV Beauty Brands Inc.

For the three months ended March 31, 2021 and 2020
(in US dollars)

MAV Beauty Brands Inc.

Unaudited consolidated interim statements of operations and comprehensive income (loss)
(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	Three months ended March 31, 2021	Three months ended March 31, 2020
		$	$
Revenue	4	**28,642**	31,382
Cost of sales	7	**15,046**	16,988
Gross profit		**13,596**	14,394
Expenses			
Selling and administrative		**7,365**	8,291
Amortization and depreciation		**1,079**	1,029
Interest and accretion	8	**1,778**	2,042
Foreign exchange loss (gain)		**133**	(471)
Integration, restructuring, and other	9	**1,067**	1,460
Total expenses		**11,422**	12,351
Income before income taxes		**2,174**	2,043
Income tax expense			
Current		**73**	84
Deferred		**526**	724
		599	808
Net income for the period		**1,575**	1,235
Other comprehensive income (loss), net of tax			
Unrealized change in fair value - cash flow hedge		**252**	(1,794)
Comprehensive income (loss) for the period		**1,827**	(559)
Earnings per common share			
Basic	5	**0.04**	0.03
Diluted	5	**0.04**	0.03
Weighted average number of common shares outstanding			
Basic	5	**36,764,669**	36,764,669
Diluted	5	**42,888,560**	42,421,318

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

MAV Beauty Brands Inc.

Unaudited consolidated interim statements of financial position

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	**As at March 31, 2021**	As at December 31, 2020
		$	$
Assets			
Current assets			
Cash		**18,185**	19,074
Trade and other receivables	6	**18,817**	20,192
Inventories	7	**36,006**	36,205
Prepaid expenses		**3,477**	3,143
Total current assets		**76,485**	78,614
Non-current assets			
Property and equipment		**3,072**	3,157
Right-of-use asset		**2,688**	2,766
Intangible assets		**160,335**	161,141
Goodwill		**180,755**	180,755
Total assets		**423,335**	426,433
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**15,088**	18,496
Deferred revenue		**28**	28
Current portion of deferred consideration	3	**855**	2,434
Current portion of lease liability		**249**	242
Total current liabilities		**16,220**	21,200
Non-current liabilities			
Deferred tax liability		**16,060**	15,444
Deferred consideration	3	**6,718**	7,339
Derivative financial liabilities	10	**1,622**	1,964
Lease liability		**2,983**	3,034
Borrowings	10	**142,151**	142,001
Total liabilities		**185,754**	190,982
Shareholders' equity			
Share capital	11	**230,354**	230,354
Accumulated other comprehensive loss		**(1,211)**	(1,463)
Equity-settled employee benefits reserve	12	**8,318**	8,015
Retained earnings (deficit)		**120**	(1,455)
Total shareholders' equity		**237,581**	235,451
Total liabilities and shareholders' equity		**423,335**	426,433

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

MAV Beauty Brands Inc.

Unaudited consolidated interim statements of changes in shareholders' equity

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	Share capital	Equity-settled employee benefits reserve	Accumulated other comprehensive income (loss)	Retained earnings / (deficit)	Total shareholders' equity
		$	$	$	$	$
Opening balance as at January 1, 2020		230,354	6,009	162	(7,961)	228,564
Net income for the period		—	—	—	1,235	1,235
Other comprehensive loss, net of tax		—	—	(1,794)	—	(1,794)
Recognition of share-based payments	12	—	629	—	—	629
Balance as at March 31, 2020		230,354	6,638	(1,632)	(6,726)	228,634
Opening balance as at January 1, 2021		**230,354**	**8,015**	**(1,463)**	**(1,455)**	**235,451**
Net income for the period		**—**	**—**	**—**	**1,575**	**1,575**
Other comprehensive income, net of tax		**—**	**—**	**252**	**—**	**252**
Recognition of share-based payments	12	**—**	**303**	**—**	**—**	**303**
Balance as at March 31, 2021		**230,354**	**8,318**	**(1,211)**	**120**	**237,581**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

MAV Beauty Brands Inc.

Unaudited consolidated interim statements of cash flows

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	**Three months ended March 31, 2021**	Three months ended March 31, 2020
		$	$
Operating activities			
Net income for the period		**1,575**	1,235
Adjustments to net income for non-cash items			
Amortization and depreciation		**1,079**	1,029
Amortization of deferred financing costs	8, 10	**150**	150
Accretion of deferred consideration	3, 8	**324**	281
Accretion of lease liability	8	**49**	49
Share-based payments	12	**303**	629
Unrealized foreign exchange loss (gain)		**32**	(546)
Deferred income taxes		**526**	724
Cash flow from operations		**4,038**	3,551
Net changes in non-cash working capital	13	**(2,293)**	(6,198)
Cash provided by (used in) operating activities		**1,745**	(2,647)
Investing activities			
Purchase of property and equipment		**(110)**	(278)
Repayment of deferred consideration	3	**(2,524)**	(1,536)
Cash used in investing activities		**(2,634)**	(1,814)
Financing activities			
Drawdown of revolving facilities	10	**—**	3,000
Cash provided by financing activities		**—**	3,000
Decrease in cash		**(889)**	(1,461)
Cash, beginning of period		**19,074**	5,672
Cash, end of period		**18,185**	4,211
Supplemental cash flow information	13		

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

1. Description of the business

MAV Beauty Brands Inc. (formerly known as MAC Topco Holdings Inc.) (the "Company") is a global personal care company selling hair care, body care and beauty products in Canada, the United States, and internationally. The Company offers various products through retail partners and distributors. The Company is headquartered at 100 New Park Place, Suite 810, Vaughan, Ontario, Canada, L4K 0H9.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol "MAV".

The Company's fiscal year end is December 31. These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") include the accounts and results of the Company and its wholly owned subsidiaries.

2. Significant accounting policies

Basis of presentation

The Interim Financial Statements are prepared in accordance with IAS 34 – *Interim Financial Reporting*. These Interim Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2020. These Interim Financial Statements and the accompanying notes have been prepared using the accounting policies described in Note 3 to the 2020 annual consolidated financial statements.

The Interim Financial Statements were approved by the Board of Directors on May 7, 2021.

Basis of consolidation

The Interim Financial Statements incorporate the financial information of the Company and the subsidiaries over which the Company has control. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control as prescribed by IFRS 10 – *Consolidated Financial Statements*.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the unaudited consolidated interim statements of operations and comprehensive income (loss) from the date the Company gains control until the date when the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

2. Significant accounting policies (continued)

Global pandemic

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 Interim 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.

Significant judgments and estimates made by management in applying the Company's accounting policies and that have the most significant effect on amounts recognized in the Interim Financial Statements are disclosed in the Company's annual consolidated financial statements as at and for the year ended December 31, 2020.

While the Company believes the current conditions related to the COVID-19 pandemic to be temporary, the situation is dynamic and the impact of COVID-19 on its consolidated results of operations and consolidated financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impact or potential impact to its business.

3. Business combinations

Acquisition in 2019

The Mane Choice

On November 12, 2019, the Company acquired 100% of the outstanding units of The Mane Choice Hair Solutions LLC ("The Mane Choice"), a personal care product company, for total consideration of $46,391. The consideration includes cash of $28,058, plus 2,463,963 exchangeable shares in the amount of $9,295, plus an earnout based on operating profit and revenue from continuing and new business in the amount of $10,038, less settlement of certain working capital accounts in the amount of $1,000, received in the second quarter of 2020.

The earnout was accounted for as an acquisition-related contingent consideration and measured at fair value. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include: (i) the estimated amount and timing of the projected cash flows on which the contingency is based; and (ii) the risk-adjusted discount rate used to determine the present value of those cash flows.

The exchangeable shares are equity shares of a U.S. subsidiary of the Company that are exchangeable into common shares of the Company, subject to certain terms and conditions. The exchangeable shares do not provide an economic interest in the U.S. subsidiary and have been accounted for in the same manner as an issuance of common shares of the Company.

Deferred consideration

In 2021, the Company repaid $2,524 of deferred consideration in the first quarter, of which $1,649 was for Cake and $875 was for The Mane Choice. In 2020, the Company repaid $1,536 of deferred consideration in the first quarter for Cake, and $4,000 in the second quarter for The Mane Choice.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

4. Segment information

The Company has one reportable and operating segment, which provides personal care products to consumers via retailers and distributors, and this single reportable segment derives its revenue from the sale of such products.

The Company operates in two principal geographical areas, Canada/United States of America ("US"), and International ("International"), which represents all markets outside of Canada and the US.

The Company's revenue from external customers by location and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers	
	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Canada/US	**27,243**	30,196
International	**1,399**	1,186
	28,642	31,382

	Property and equipment	
	As at March 31, 2021	As at December 31, 2020
	$	$
Canada/US	**3,072**	3,157
International	**—**	—
	3,072	3,157

The Company's goodwill and intangible assets are common across all locations. Therefore, management does not classify goodwill and intangible assets on a location basis.

5. Earnings per share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similarly to basic earnings per share except that the weighted average number of shares outstanding is increased to include exchangeable shares, proportionate voting shares and additional shares for the assumed exercise of share options, if dilutive.

The weighted average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the three months ended March 31, 2021.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

5. Earnings per share (continued)

	Three months ended March 31, 2021	Three months ended March 31, 2020
	#	#
Number of shares		
Weighted number of common shares used for basic earnings per share	**36,764,669**	36,764,669
Common shares deemed to be issued in respect of share-based payments	**481,928**	14,686
Weighted number of exchangeable shares	**2,463,963**	2,463,963
Weighted number of proportionate voting shares	**3,178,000**	3,178,000
Weighted average number of shares used in diluted earnings per share	**42,888,560**	42,421,318

6. Trade and other receivables

Trade and other receivables consist of the following:

	March 31, 2021	December 31, 2020
	$	$
Trade and other receivables	**18,870**	20,103
Government remittances receivable	**344**	579
Provision for expected credit losses	**(397)**	(490)
	18,817	20,192

7. Inventories

Inventories consist of the following:

	March 31, 2021	December 31, 2020
	$	$
Raw materials	**7,210**	6,849
Finished goods	**29,483**	30,043
Provision for inventory obsolescence	**(687)**	(687)
	36,006	36,205

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

7. Inventories (continued)

Inventories are carried at the lower of cost and net realizable value. During the three months ended March 31, 2021, inventories recognized as an expense within cost of sales amounted to $12,719 (for the three months ended March 31, 2020, $14,687).

8. Interest and accretion

Interest and accretion consist of the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Interest on borrowings and revolving facilities	**1,255**	1,562
Amortization of deferred financing costs	**150**	150
Accretion of deferred consideration	**324**	281
Accretion of lease liability	**49**	49
	1,778	2,042

9. Integration, restructuring, and other

Integration, restructuring, and other consist of the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Integration	**282**	234
Restructuring	**174**	1,030
Other	**611**	196
	1,067	1,460

For the three months ended March 31, 2021, the Company incurred restructuring and other costs in the amount of $182 that were paid or payable to certain directors and officers of the Company (three months ended March 31, 2020 - $1,019 of restructuring costs paid or payable to a director and former officer of the Company).

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

10. Borrowings

	Section	**March 31, 2021**	December 31, 2020
		$	$
Non-revolving term loan	(a)	**133,500**	133,500
Revolving credit facility	(a)	**10,000**	10,000
		143,500	143,500
Deferred financing fees		**(1,349)**	(1,499)
Total borrowings		**142,151**	142,001

(a) Non-revolving term loan and revolving credit facility

On July 10, 2018, concurrent with the IPO, the Company settled its term loans, revolving commitment facility, senior subordinate notes and promissory note and entered into a new credit facility (the "New Credit Facility"). The New Credit Facility includes (i) a revolving credit facility in the aggregate principal amount of $20,000; (ii) a non-revolving term loan credit facility in the aggregate amount of up to $107,500; and (iii) an accordion feature in the amount of $50,000 for working capital and general corporate purposes. The New Credit Facility has no fixed repayment terms and will mature on July 10, 2023. Both the term loan and revolving credit facility bear interest at LIBOR plus the applicable margin of 2.75% per annum.

During the year ended December 31, 2019, and in connection with The Mane Choice acquisition, the Company extended and amended its non-revolving term loan credit facility to borrow an additional $31,000 with substantially similar terms and conditions, resulting in a combined facility of $138,500.

The Company must satisfy certain financial covenants as of March 31, 2021 defined by the agreement relating to the New Credit Facility. As at March 31, 2021, the Company was in compliance with these covenants.

The Company uses interest rate swaps as a cash flow hedging instrument to mitigate interest rate risk of its borrowings. The interest rate swaps are initially recognized at fair value on the date on which a contract is entered and are subsequently remeasured at fair value. The swaps are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As at March 31, 2021, the Company had derivative financial liabilities of $1,622 (December 31, 2020 – $1,964).

11. Share capital

Authorized

In connection with and immediately prior to the closing of the IPO, the Company implemented the following pre-closing capital changes: (i) the share capital was amended such that it comprised an unlimited number of common shares, an unlimited number of Proportionate Voting Shares and an unlimited number of preferred shares, issuable in series; (ii) all of the then-issued and outstanding shares of the Company were exchanged for newly authorized Shares; (iii) all of the issued and outstanding common shares were consolidated on a 4.7206-for-one basis; (iv) 3,178,000 of the common shares retained by a related party, Bock Capital EU Luxembourg MAC S.À R.L., were exchanged for Proportionate Voting Shares on a 1,000-to-one basis; (v) each of the then-outstanding options to acquire shares of the Company under the Company's legacy option plan was consolidated on a 4.7206-for-one basis and exercisable for common shares at a post-consolidation exercise price; (vi) all classes of shares included in the authorized share capital prior to such amendments were repealed from the Articles; and (vii) the Company amalgamated with a Canadian subsidiary by way of a short-form vertical amalgamation under the *Business Corporations Act* (British Columbia). Immediately prior to closing the IPO, the Company had 28,577,169 common shares and 3,178 Proportionate Voting Shares outstanding.

Issued

As at March 31, 2021 and December 31, 2020, the Company had 36,764,669 common shares, 3,178 Proportionate Voting Shares and 2,463,963 exchangeable shares issued and outstanding.

12. Equity-settled employee benefits reserve

The Company has a legacy Share Option Plan and an omnibus long-term incentive plan (the "LTIP") (collectively, the "Plans") applicable to executive officers, employees, consultants and members of the Board of Directors effective January 20, 2017. The maximum number of common shares that may be reserved for issuance under the Plans shall not exceed 10% of the total issued and outstanding common shares (assuming the conversion of all issued and outstanding Proportionate Voting Shares to common shares) from time to time. The option exercise price is the fair market value (or greater) of the common shares of the Company at the date of granting the options as determined and approved by the Board of Directors in accordance with the Plans. Option terms shall be no more than 10 years from the date of option grant.

Options generally vest over a 60-month period from the date of grant, with 20% vesting on the 12-month anniversary of the date of grant, and an additional 5% of the options vesting on each subsequent quarter. However, options granted in 2020 vest 25% on each anniversary date of grant.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

12. Equity-settled employee benefits reserve (continued)

In connection with the issuance of options to eligible participants, the Company recorded equity-settled employee benefits of $303 for the three months ended March 31, 2021 ($629 for the three months ended March 31, 2020) to reflect the share-based compensation expense relating to the Company's Plans, which is included in selling and administrative expense.

The following table summarizes the movement in options and the weighted average exercise price of options for the three months ended March 31, 2021:

	Number of options	Average exercise price
	#	CAD$
Options outstanding as at December 31, 2020	3,830,341	9.86
Forfeited	**(16,682)**	**13.38**
Options outstanding as at March 31, 2021	**3,813,659**	**9.85**

The following table summarizes information about share options outstanding and exercisable as at March 31, 2021:

	Number of options	Weighted average remaining life (in years)	Number exercisable
	#		#
Exercise price (in CAD)			
2.00 to 4.72	**1,365,682**	**2.61**	**633,562**
6.23 to 7.79	**223,905**	**2.40**	**110,449**
9.44 to 13.38	**242,907**	**1.19**	**185,843**
14.00	**1,721,170**	**2.25**	**860,582**
14.16 to 23.37	**259,995**	**1.22**	**187,735**
	3,813,659	**2.25**	**1,978,171**

12. Equity-settled employee benefits reserve (continued)

The Company also has a Deferred Share Unit ("DSU") Program, which was adopted following the completion of the IPO for non-employee board members. Each eligible director receives a portion of his or her annual director retainer in DSUs.

The grant of DSUs does not entitle any eligible director to dividends or other distributions on the Company's common shares, or to exercise voting rights or any other rights attaching to the ownership of the common shares, provided that in the event that dividends become payable on the common shares after the date of grant, DSUs will entitle the non-employee director to dividend share units in the form of additional DSUs. DSUs vest when granted but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. DSUs are granted quarterly and 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 Company records grants and changes in value of the DSUs in selling and administrative expense. As at March 31, 2021, there were 117,902 DSUs issued and outstanding (December 31, 2020 – 109,569).

The Company is also entitled to issue restricted stock units ("RSUs") under the LTIP. Each RSU entitles the grantee to acquire common shares at a purchase price (which may be zero) subject to any terms and conditions, including time and/or performance vesting conditions, determined by the Board of Directors. The grant of RSUs does not entitle the grantee to dividends or other distributions on the Company's common shares, or to exercise voting rights or any other rights attaching to the ownership of the common shares, provided that in the event that dividends become payable on the common shares after the date of grant, the RSUs will entitle the grantee to dividend share units in the form of additional RSUs, as applicable. As at March 31, 2021, the Company had 48,326 RSUs outstanding that cliff vest on the date that is three years from the date of grant.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

13. Supplemental cash flow information

The change in non-cash working capital items comprises the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Decrease (increase) in assets		
Trade and other receivables	**1,375**	(6,916)
Inventories	**199**	(4,128)
Prepaid expenses	**(334)**	(728)
	1,240	(11,772)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	**(3,533)**	5,574
	(2,293)	(6,198)

The supplemental cash flow information comprises the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Interest paid	**1,255**	1,562

14. Contingencies

In the normal course of business activities, the Company is subject to a number of claims and legal actions that may be made by customers, suppliers or others. The Company is actively defending these actions, and management believes the possibility of any outflow in settlement is remote and thus no provisions have been recognized.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current year.