



GROUPE DYNAMITE INC.

Management's Discussion and Analysis

First quarter ended May 3, 2025

The following Management's Discussion and Analysis ("MD&A") for Groupe Dynamite Inc. is dated June 16, 2025 and provides information concerning our results of operations and financial condition for the 13-week periods ended May 3, 2025 and May 4, 2024. You should read our MD&A in conjunction with our unaudited condensed interim consolidated financial statements and the notes for the 13-week period ended May 3, 2025, as well as with the audited consolidated financial statements and the related notes for the year ended February 1, 2025 (the "Annual Financial Statements"). Our Annual Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards"). Our unaudited condensed interim consolidated financial statements for the 13-week period ended May 3, 2025 (the "Interim Financial Statements") have been prepared in accordance with IAS 34, "Interim Financial reporting". Our Interim Financial Statements have been prepared on a basis consistent with the Annual Financial Statements. All amounts in this MD&A are in Canadian dollars unless otherwise indicated. In this MD&A, all references to "GDI", "Groupe Dynamite", the "Company", "we", "us" or "our" refer to Groupe Dynamite Inc. together with its subsidiaries, on a consolidated basis. Additional information about Groupe Dynamite is available on our website at www.groupedynamite.com.

Our fiscal year ends on the Saturday closest to January 31 of each year. This approach is adopted to ensure operational consistency. It creates variations in the actual closing date each year. All references to "Q1 2025" are to the Company's 13-week period ended May 3, 2025; "Q1 2024" are to the Company's 13-week period ended May 4, 2024; "Fiscal 2025" are to the Company's fiscal year ended January 31, 2026, "Fiscal 2024" are to the Company's fiscal year ended February 1, 2025; and "Fiscal 2023" are to the Company's fiscal year ended February 3, 2024.

Cautionary Note regarding Forward-Looking Information

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include statements relating to: our business, brand positioning, brand awareness and brand expansions, the expected opening (and timing) of our U.S. distribution center, our planned U.K. expansion, our expectations on our ability to continue creating accessible fashion and delivering on-trend products, our expectations regarding the expansion and optimization of our store footprint and the achievements that can be derived therefrom, our expectations regarding reinvestment in our business, our financial performance, financial position and use of liquidity, the remodeling and relocation of existing stores in top-tier locations, the increase in our e-commerce penetration level relative to our total revenue and the growth in our e-commerce business more generally, including the additional investments required in the near term to support e-commerce growth, our expectations regarding our growth rates and growth strategies, and the impact of any tariffs imposed by the United States, Canada and other countries on the Company's operations and financial position. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances. Forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Our assumptions underpinning forward-looking information include, but are not limited to, the following:

expected short-, medium- and long-term discretionary spending and overall economic trends; successfully maintaining and enhancing our brands; marketing efforts, store renovations and store expansions will be successful and drive our revenue; maintaining our supplier relationships and a steady, cost-effective supply of inventories; successfully managing expenses and driving gross margin improvements; growing our e-commerce business and making headway in our international expansion efforts; successfully retaining key personnel including our chief executive officer; the absence of material changes to taxes, duties, tariffs and interest rates; the absence of further material disruptions in the international trade; the economy generally; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated, intended or implied.

Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is also subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Risks and uncertainties are discussed in the "Risk Factors" section of this MD&A and the Company's annual information form for Fiscal 2024 (the "AIF") which is incorporated by reference into this document. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The risks, uncertainties, opinions, estimates and assumptions referred to elsewhere in this MD&A should be considered carefully by readers. Accordingly, readers should not place undue reliance on forward-looking information. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable Canadian securities legislation, 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, the forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date it is otherwise stated to be made) and is subject to change after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities legislation. All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Overview

*With a luxury-inspired mindset, our vision is to create accessible fashion that inspires style-conscious individuals to feel good in their skin to fulfil our mission: **Empowering you to be you, one outfit at a time.***

We are a fashion house that operates retail stores and e-commerce platforms under two complementary and spirited banners: Garage and Dynamite. Garage is a casual street-active aesthetic brand that inspires rewriting the rules, breaking boundaries and owning your individuality, because your style should be as limitless as your passions. Dynamite believes that every day is the perfect occasion to look and feel exceptional, outfitting modern women to seamlessly flow between the demands of their day to the energy that fills their night.

We thrive at the intersection of art and science with a luxury-inspired business model. Our left brain: We obsess about taking time out of the supply chain, leading to increasing focus on speed, flexibility and data to effectively "de-risk" the business of fashion – this rigorous approach is what allows us to deliver differentiated outcomes. Our right brain: Creativity drives every aspect of what we do, allowing us to connect with our customers on a deeper level – we focus on creating clothing collections, campaigns, and experiences that foster an emotional connection with our customers.

We have an intense focus on building an emotional connection with our customers that informs our design and merchandising strategy, omnichannel distribution model and marketing strategy. This emotional connection with our customers begins with our muses, Alex and Rachelle, the conceptual inspirations for our design teams. Alex and Rachelle epitomize customers of Garage and Dynamite respectively, and we embark through them on style journeys that allow us to rapidly address ever-evolving fashion preferences.

Our teams then aim to create must-have, unique and on-trend products for our customers' ever-changing world. Our product assortment includes jeans, pants, fleece, tops, blouses, sweaters, dresses, skirts, and jackets. Both

of our brands have their own dedicated and distinctive Merchandising and Design teams. We develop an average of 125 unique styles per week, drawing inspiration from both historical successes and emerging trends to create fashion must-haves. These branded product teams are supported by Centers of Excellence teams that service both brands so that we are leveraging their expertise in fabric, fit, and product development sourcing.

We connect with our customers through an aspirational, omnichannel shopping experience that extends across our retail stores, e-commerce platforms, mobile applications and loyalty program. As of May 3, 2025, we operate 182 stores in Canada, with retail locations in all Canadian provinces, and 115 stores in the United States, with retail locations across 37 U.S. states. Our retail store footprint allows us to develop brand-enhancing experiences for our customers, with use of technology and an innovative approach to empowering our store associates to be brand ambassadors and stylists creating an optimized shopping experience for our customers. Our two dedicated e-commerce sites, [Garageclothing.com](https://garageclothing.com) and [Dynamiteclothing.com](https://dynamiteclothing.com), give us control of the presentation of our brand and relationships with our customers, while providing customers with a seamless omnichannel experience. Our Garage and Dynamite loyalty program and apps further enable us to provide her a fun and personalized experience with access to the latest products, and help drive repeat purchasing behavior.

Our omnichannel distribution model is supported by our nimble design, sourcing and supply chain processes. We have long-term and strategic relationships with suppliers that enable us to secure production capacity and facilitate in-season order placement. We have an accelerated product cycle from fabric production to order fulfillment that allows us to quickly pivot to the latest trends or go deeper on in-season trends. Our flexibility increases our open-to-buy opportunity in a given season, allowing us to test, deploy and react to trends more quickly, more accurately plan inventory, reduce markdowns and minimize fashion risk.

We support our brands with a disciplined and data-driven approach to marketing, utilizing a proprietary attribution model that analyzes and supports efficacy of our marketing spend in real-time and provides insights that inform our longer-term strategy. We deploy a multi-faceted marketing strategy across multiple channels focusing on driving brand awareness and growing the community of Garage and Dynamite customers, with strategic use of social media and influencers, events and partnerships.

Q1 2025 Financial Highlights

- Revenue increased to \$226.7 million in Q1 2025 from \$188.9 million in Q1 2024, representing an increase of \$37.8 million or 20.0%. The increase was driven by several factors reflecting the success of our real estate and marketing strategies such as:
 - Comparable store sales growth⁽¹⁾ of 13.0% in Q1 2025, over and above comparable store sales growth of 16.4% in Q1 2024;
 - Revenue from new stores positively impacted by the opening of 17 gross new stores (5 net new stores) over the last 12-month period (1 gross new store in Q1 2025 and 2 new closures), with the vast majority of new store locations in the higher-growth U.S. market under the Garage banner;
 - Online revenue growth of 21.2% in Q1 2025 compared to Q1 2024, supported by our focus on delivering a seamless omnichannel shopping experience to our customers.
- Retail sales per square foot⁽¹⁾ reached \$756 at the end of Q1 2025 compared to \$652 at the end of Q1 2024, representing an increase of 16.0%.
- Gross profit increased to \$140.7 million in Q1 2025 from \$120.7 million in Q1 2024 and gross margin⁽¹⁾ decreased to 62.1% from 63.9% over this same period.
- Operating income increased to \$44.3 million in Q1 2025 from \$38.2 million in Q1 2024.
- Adjusted EBITDA⁽¹⁾ increased to \$66.8 million in Q1 2025 from \$55.8 million in Q1 2024, resulting in adjusted EBITDA margin⁽¹⁾ of 29.5%, unchanged compared to the same period last year. This is the result of higher revenue and operating leverage, offset by lower gross margin.
- Net earnings increased to \$27.3 million in Q1 2025 from \$23.9 million in Q1 2024, representing an increase of \$3.4 million or 14.2%. Adjusted net earnings⁽¹⁾ increased to \$28.4 million in Q1 2025 from \$24.8 million in Q1 2024, representing an increase of \$3.6 million or 14.5%.

- Inventory turnover⁽¹⁾ ratio was 8.50x at the end of Q1 2025 compared to 7.59x at the end Q1 2024, reflecting the effectiveness of our market-leading inventory management system and contributing to the reduction in markdowns.
- Return on assets ratio ("ROA")⁽¹⁾ increased to 23.8% at the end of Q1 2025, up from 20.0% at the end of Q1 2024. This improvement in the ROA was driven by growth in adjusted net earnings over the last 12-month period, which was partially offset by an increase in average total assets.
- Net leverage ratio⁽¹⁾ improved to 0.92x in Q1 2025 compared to 1.79x in Q1 2024. This improvement is due to the increase in adjusted EBITDA, coupled with the repayment of all of our outstanding commitments under the credit facilities which has more than offset the increase in lease liabilities.

Note:

- (1) Refer to "Non-IFRS Measures including Non-IFRS Financial Measures, Non-IFRS Ratios, Supplementary Financial Measures and Retail Industry Metrics" in this MD&A for further details concerning these measures including definitions and reconciliations of each non-IFRS financial measure to the relevant reported IFRS financial measure. Non-IFRS financial measures and non-IFRS ratios do not have a standardized meaning under IFRS Accounting Standards, which are used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities.

Outlook

A discussion of management's expectations as to the Company's outlook for Fiscal 2025 are contained in the Company's press release dated June 17, 2025 under the heading "Outlook". The press release is available on SEDAR+ at www.sedarplus.ca and on the Corporation's website at www.groupedynamite.com.

Recent Event

On June 16, 2025 the Second Amended and Restated Credit Agreement was further amended, extending the maturity date by approximately 18 months to May 10, 2028.

Summary of Factors Affecting our Performance

We 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. For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of this MD&A and the Company's annual information form for Fiscal 2024 (the "AIF") which are incorporated by reference into this document.

Brands

Our two complementary and spirited banners have been conceived and developed throughout multiple decades with distinct brand positioning in both age and lifestyle that we believe strike the right emotional chord with our target customers. Our multi-brand strategy drives product differentiation, assortment flexibility and a natural progression through our muses, Alex and Rachelle.

Strengthening and growing our brands is critical to our continued success. Any loss of brand appeal may adversely affect our business and financial results. We structure our business to strengthen and grow our brands through, among others, our (i) dedicated concept, design, merchandising and planning and marketing teams focused on creating distinct on-trend products, supported by our multidisciplinary teams, (ii) nimble design, sourcing and supply chain process, (iii) expansion and optimization of our store network in North America, (iv) plans to grow our e-commerce capabilities and (v) omnichannel go-to-market platform.

On-Trend Products and our Design, Sourcing and Supply Chain Process

We employ a strategic, luxury-inspired operating model that positions our brands to optimize pricing with limited reliance on markdowns. We aim to deliver must-have, on-trend products that inspire deep emotional reactions for our customers' ever-changing world.

We buy initial quantities of merchandise that allow us to quickly gauge customer demand and follow up with larger orders when proven successful, allowing us to increase sales while reducing inventory risk. Approximately 56% of the purchasing decisions are made after a season begins, allowing us to respond to trends in real-time, either buying further into a trend or pivoting, while we optimize our inventory, resulting in fewer markdowns and exhibiting brand health and relevance.

As of Fiscal 2024, we have over 45 suppliers across more than 100 factories providing us with the flexibility to source high-quality materials and products at competitive costs. Our production cycle's efficiency is underpinned by familiarity with key suppliers—over 80% of whom have been partners for more than 8 years—along with periodic quality control and refreshment of suppliers. Across this network of suppliers, the majority of our production volumes are sourced from China, with additional contributions from Bangladesh and Cambodia. Additionally, based on our strong supplier relationships, we are able to reserve production capacity prior to purchase order placement, which ensures that we have dedicated production lines supporting our agile business model and reducing supply chain risk.

Expansion and Optimization of our Store Network in North America

Our business is heavily dependent on the revenue from our stores. We believe we have a significant opportunity to continue growing and optimizing our store network across North America. Underpinning the success of our retail sales growth is the strategic placement of our locations in accordance with our store-level matrix strategy, under which we focus on opening new stores in top-tier locations (as qualified by premium co-tenants, peripheral concession and entertainment options, high visibility and high consumer traffic, among other factors). According to our standards, most assets in the shopping center universe fall within tiers 4 and 5. Only a small percentage falls within tiers 1, 2 and 3.

For the 12-month period ended May 3, 2025, our stores (which occupy approximately 3,600 square feet on average) produced retail sales per square foot of approximately \$756. In addition to opening new stores, we have generated attractive returns on capital by optimizing our existing stores through carefully considered and accretive store remodels and relocations. We aim to selectively expand, remodel and/or relocate up to 10 to 15 existing stores per year in top-tier locations. Through expanding our store footprint and optimizing our existing store base, we believe we can enhance our aesthetic, improve our in-store assortment, increase scale, drive comparable store sales growth and enhance company-wide operating margins.

Plans to Grow our e-Commerce Capabilities

Since pivoting to an omnichannel model in 2019, our e-commerce business has grown to represent approximately 18% of total revenue for the 12-month period ended May 3, 2025. Although we foresee the need for additional investments in the near term to support e-commerce growth, we expect these investments to remain within the levels experienced in the last year or two, with no substantial increases foreseeable – we believe there is a significant opportunity to grow our e-commerce business, and we are currently targeting a long-term e-commerce penetration level of approximately 25% of our total revenue.

Omnichannel Go-to-Market Platform

We leverage both our physical store base and e-commerce sites to create an omnichannel customer experience with an integrated platform that allows our customers to transition seamlessly across channels and maintain a curated and personalized shopping experience. Our omnichannel platform also meaningfully reduces markdown occurrences and leads to low obsolescence through the use of an algorithm powered by our proprietary business intelligence, referred to as the Brain. The Brain identifies optimal inventory to fulfill e-commerce orders and improves customer service by seamlessly integrating online and offline retail channels. We are thus able to operate closer to an asset-light model that reduces warehouse expenses, drives a lead time advantage and increases overall assortment flexibility.

Foreign Exchange

Approximately half of our revenue is derived in Canadian dollars while a significant portion of our cost of goods sold is denominated in U.S. dollars, which exposes us to fluctuations in foreign currency exchange rates. Future fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross margins and operating results.

Seasonality

The apparel sector operates on a seasonal basis, with a higher proportion of revenue and operating income being realized in the third and fourth quarters of the fiscal year, coinciding with key shopping periods such as back-to-school and the holiday season. Additionally, our working capital demands escalate prior to the introduction of new seasonal lines, due to launching new seasons and acquiring new inventory. The following table is a breakdown of the quarterly distribution of annual revenue for Fiscal 2024 and Fiscal 2023:

Annual Revenue	For the fiscal years ended	
	February 1, 2025	February 3, 2024
	%	%
First fiscal quarter	20	19
Second fiscal quarter	25	23
Third fiscal quarter	27	28
Fourth fiscal quarter	28	30
Fiscal year total	100%	100%

The impact of revenue from the 53rd week for Fiscal 2023 on the quarterly distribution is minimal.

Weather

Extreme weather conditions in the areas in which our stores are located could adversely affect our business and financial results. For example, frequent or unusually heavy snowfall, ice storms, rainstorms, or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our revenue and profitability. This is potentially mitigated by our customers' ability to buy our products through dynamiteclothing.com and garageclothing.com. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect sales of these seasonal items.

Competition

Our business is affected by our competition. We operate in the North American women's apparel industry, where we compete with a diverse group of specialty apparel retailers, department stores, affordable retailers, athletic retailers and other manufacturers and retailers of branded apparel. Market participants compete on, among other attributes, the location of stores, the breadth, style, quality, price and availability of merchandise, the level of customer service and brand recognition. We believe that we successfully compete on the basis of several factors including our retail stores and digital experiences under two complementary and spirited banners, our ability to create must-have, highly relevant and on-trend products that inspire deep emotional reaction and our customer-centric marketing strategy.

Global Social, Economic and Political Events and Other Disruptions

We are aware of the risks arising from social, economic, and political instability, including geopolitical tensions, regulatory changes, market volatility, and challenges in international trade and the tax environment (such as tariffs, quotas, customs, and other restrictions). These factors may impact consumer spending, international travel, credit markets, logistics, and foreign exchange in certain countries and travel corridors. We are actively monitoring these ongoing issues and their effects on our business. Regarding the U.S. tariffs currently in place, we are confident that our strategies are well-positioned to help mitigate any potential impact, while remaining flexible as the situation evolves. The Company has strengthened existing tools and developed new ones to effectively navigate the recent tariff developments. We continue to monitor the situation closely and adapt as needed, all while maintaining our focus on executing our strategic initiatives and delivering competitive results.

Components of our Results of Operations

Revenue

Revenue reflects retail and online sales, less returns and discounts, under the Dynamite and Garage brands across Canada and the United States.

The Company recognizes revenue when control of the goods or services has been transferred to a customer, which occurs at a point in time, for retail sales, at the time the sale is made to the customer, and for online sales, at the date of delivery to the customer. Revenue is measured at the fair value of consideration to which the Company expects to be entitled, including (i) variable consideration if any, to the extent it is highly probable that a significant reversal will not occur, and (ii) shipping fees. Revenue is measured net of discounts and an estimated allowance for returns. Reported sales exclude sales taxes.

Gift cards sold are accounted for as deferred revenue and revenue is recognized when gift cards are redeemed for merchandise. The Company estimates gift card breakage to the extent permissible under local laws, and recognizes revenue in proportion to actual gift card redemptions.

The Company has a loyalty points program that gives rise to a separate performance obligation as it provides a material right to the customer. The transaction price is allocated between the loyalty points and the goods on which the awards were earned based on their relative stand-alone selling prices taking into consideration the estimated redemption percentage. Loyalty points and awards granted under the customer loyalty awards program are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer.

The Company grants rights of return on goods sold to customers. Revenue is reduced by the amount of expected returns, which is determined based on historical patterns of returns, and a related refund liability is recorded within accounts payable and accrued expenses.

Cost of sales

Cost of sales includes the cost of inventories purchased, shipping and transportation costs, warehousing, distribution costs, credit card fees and the variable and short-term occupancy costs that are excluded from the lease liability.

Since the Company purchases goods in currencies other than the Canadian dollar, our cost of sales is affected by fluctuations in foreign currencies against the Canadian dollar. We mainly import merchandise from suppliers in China and Bangladesh with U.S. dollars. Therefore, our cost of sales is impacted indirectly by the fluctuation of the Chinese renminbi and the Bangladeshi Taka against the U.S. dollar and directly by the fluctuation of the U.S. dollar against the Canadian dollar.

We, from time to time, use foreign exchange forward contracts to hedge some of our exposure to changes in the value of the U.S. dollar against the Canadian dollar, usually for a period of three to six months ahead, while leveraging natural hedge opportunities given our U.S. operations. However, we do not hedge our exposure to changes in the value of the Chinese renminbi and Bangladeshi Taka against the U.S. dollar.

Gross profit

Gross profit reflects our revenue, less cost of sales.

Selling, general and administrative expenses

Selling, general and administrative expenses (or "SG&A") include store labour costs, which vary with our sales volume, as well as fixed costs such as store maintenance, corporate and field salaries and benefits, administrative office costs, professional fees, and other related expenses. Our store labour costs are affected by the statutory minimum wage, which is lower than our average store hourly wage rate. However, a significant rise in the minimum wage would increase our payroll costs unless we can improve our store productivity.

Depreciation and amortization

Depreciation and amortization represent the systematic allocation of the cost of the Company's tangible and intangible assets over their respective useful lives. Depreciation is charged on property, plant, and equipment, including

capitalized leases classified as right-of-use assets, while amortization is recorded on intangible assets, such as software.

Net financing costs

Net financing costs primarily consist of interest expenses on the Company's borrowings, including short-term and long-term debt as well as any short-term and long-term lease liabilities. These costs also include the amortization of deferred financing charges, interest income from cash and promissory note, and any gains or losses on derivative financial instruments.

Selected Financial Information

	13-week periods ended	
	May 3, 2025	May 4, 2024
<i>In thousands of Canadian dollars, except per share data and retail sales per square foot</i>		
	\$	\$
Revenue	226,656	188,884
Cost of sales	85,945	68,232
Gross profit	140,711	120,652
Operating expenses		
Selling, general and administrative expenses	74,691	66,233
Depreciation and amortization	21,299	16,754
Foreign exchange loss (gain)	398	(487)
Total operating expenses	96,388	82,500
Operating income	44,323	38,152
Net financing costs	6,818	5,203
Earnings before income taxes	37,505	32,949
Income taxes	10,169	9,012
Net earnings	27,336	23,937
Net earnings per share⁽³⁾		
Basic	\$0.25	\$0.22
Diluted	\$0.24	\$0.22
Additional financial measures		
Retail revenue	189,401	158,149
Comparable store sales growth ⁽¹⁾	13.0%	16.4%
Retail sales per square foot ⁽¹⁾	\$756	\$652
Adjusted EBITDA ⁽¹⁾	66,825	55,765
Adjusted net earnings ⁽¹⁾	28,395	24,796
Adjusted net earnings per share ^{(1) (3)}		
Basic	\$0.26	\$0.23
Diluted	\$0.25	\$0.23
Gross margin ⁽¹⁾	62.1%	63.9%
SG&A as a percentage of sales ⁽¹⁾	33.0%	35.1%
Adjusted SG&A as a percentage of sales ⁽¹⁾	32.4%	34.6%
Adjusted EBITDA margin ⁽¹⁾	29.5%	29.5%
Ratios and other metrics:		
ROA ⁽¹⁾	23.8%	20.0%
ROCE ⁽¹⁾	44.5%	37.4%
Net leverage ratio ⁽¹⁾	0.92	1.79
Free cash flow ⁽¹⁾	41,624	36,581
Inventory turnover ⁽¹⁾	8.50	7.59
CAPEX ⁽¹⁾	21,071	10,235
Number of stores ⁽²⁾	297	292

<i>In thousands of Canadian dollars</i>	As at		
	May 3, 2025	Feb 1, 2025	Feb 3, 2024
	\$	\$	\$
Cash	106,572	74,195	8,135
Inventories	46,147	44,952	38,627
Total current assets	198,843	161,568	83,458
Property and equipment	117,243	107,465	65,419
Right-of-use assets	346,507	330,105	246,240
Total assets	683,882	618,637	516,476
Long-term portion of long-term debt	-	-	145,100
Long-term portion of lease liabilities	352,671	340,102	240,301
Total non-current liabilities	352,671	340,102	388,901
Total liabilities	537,452	477,323	511,548
Total shareholders' equity	146,383	141,314	4,928
Total debt ⁽¹⁾	394,987	372,581	433,275
Net debt ⁽¹⁾	288,415	298,386	425,140

Notes:

- (1) Refer to "Non-IFRS Measures including Non-IFRS Financial Measures, Non-IFRS Ratios, Supplementary Financial Measures and Retail Industry Metrics" section of this MD&A for further details concerning these measures including definitions and reconciliations of each non-IFRS financial measure to the relevant reported IFRS financial measure. Non-IFRS financial measures and non-IFRS ratios do not have a standardized meaning under IFRS Accounting Standards, which are used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities.
- (2) Number of stores is as at end of period.
- (3) Net earnings per share and Adjusted net earnings per share are calculated, after giving the effect, on a retrospective basis, to the Share Consolidation that occurred in connection with the Pre-Closing Reorganization on November 20, 2024.

Results of Operations

Summary of changes in our store portfolio

For the 13-week period ended May 3, 2025, we opened 1 new store in the United States under the Garage retail banner. We also strategically closed 2 locations, and 3 stores were renovated or re-located to a more advantageous location. For the 13-week period ended May 4, 2024, we opened 4 new stores and completed 2 strategic store closures.

The following table presents a summary of changes in our store portfolio per banner:

As of and for the 13-week periods ended						
May 3, 2025			May 4, 2024			
	Canada	USA	Total	Canada	USA	Total
Stores at the beginning of the period						
Garage	102	111	213	107	95	202
Dynamite	81	4	85	83	5	88
	183	115	298	190	100	290
Store openings						
Garage	0	1	1	0	4	4
Dynamite	0	0	0	0	0	0
	0	1	1	0	4	4
Store closures						
Garage	0	0	0	0	(1)	(1)
Dynamite	(1)	(1)	(2)	(1)	0	(1)
	(1)	(1)	(2)	(1)	(1)	(2)
Stores at the end of the period	182	115	297	189	103	292
Store renovations and relocations						
Garage	2	1	3	0	0	0
Dynamite	0	0	0	0	0	0
	2	1	3	0	0	0

Results of operations for the 13-week periods ended May 3, 2025 and May 4, 2024

Revenue

Total revenue for the 13-week period ended May 3, 2025 increased by \$37.8 million or 20.0% compared to the 13-week period ended May 4, 2024. The majority of the increase is attributable to retail revenue, which increased by \$31.3 million or 19.8% over the 13-week period ended May 4, 2024. This growth was primarily due to a 13% increase in comparable store sales and the contribution from new stores. Online revenue for the 13-week period ended May 3, 2025 increased to \$37.3 million from \$30.7 million compared to the 13-week period ended May 4, 2024, representing an increase of \$6.6 million or 21.2%. Penetration of online revenue for the quarter has therefore increased by 0.1% from 16.3% in Q1 2024 to 16.4% in Q1 2025.

Cost of sales and gross profit

Gross profit for the 13-week period ending May 3, 2025, increased by \$20.1 million, or 16.6%, compared to the 13-week period ending May 4, 2024. This increase was driven by 20.0% higher revenue, with gross margin declining by 180 basis points to 62.1%, reflecting the impact of additional tariffs, partly offset by our mitigation efforts.

Selling, general and administrative expenses

SG&A for the 13-week period ending May 3, 2025, increased by \$8.5 million, or 12.8%, compared to the 13-week period ending May 4, 2024. This increase was primarily driven by the Company's growing scale and activities, leading to a \$3.3 million increase in wages, salaries, and employee benefits. Additionally, during Q1 2025, the Company strategically increased its marketing investment by launching more initiatives aimed at driving brand awareness, resulting in a \$3.1 million increase in selling and marketing expenses compared to Q1 2024. Administrative costs

increased by \$2.1 million, negatively impacted by \$0.5 million of professional fees related to the IPO. As a percentage of sales, SG&A decreased by 2.1% from 35.1% in Q1 2024 to 33.0% in Q1 2025.

Depreciation and amortization

Depreciation and amortization for the 13-week period ended May 3, 2025 increased by \$4.5 million or 27.1% compared to the 13-week period ended May 4, 2024. Most of this increase is attributable to depreciation of property, plant and equipment and right-of-use assets, which increased by \$3.7 million or 23.0%, driven by a higher number of store leases capitalized under right-of-use assets and increased depreciation from investments in leasehold improvements in Q1 2025 compared to Q1 2024.

Net financing costs

Net financing costs for the 13-week period ended May 3, 2025 increased by \$1.6 million or 31% compared to the 13-week period ended May 4, 2024. This increase is due to a decrease in finance income of \$2.8 million partly offset by the decrease in finance expense of \$1.2 million. This is the result of the Company using the proceeds from the promissory note receivable from a parent company in the amount of \$110,000 to reduce its outstanding balance on the credit facilities.

Operating income and adjusted EBITDA

Operating income for the 13-week period ended May 3, 2025 increased by \$6.2 million or 16.2% to reach \$44.3 million in Q1 2025 compared to \$38.2 million in Q1 2024. Similarly, adjusted EBITDA for the 13-week period ended May 3, 2025 increased by \$11.1 million or 19.8% to reach \$66.8 million in Q1 2025 compared to \$55.8 million in Q1 2024. The adjusted EBITDA margin remained stable year-over-year at 29.5% of sales, despite a decrease in gross margin. This is largely due to a reduction in adjusted SG&A as a percentage of sales, which decreased to 32.4% in Q1 2025 from 34.6% in Q1 2024. The improvement reflects the benefits of operating leverage and effective cost management in a dynamic and challenging environment.

Net earnings

Net earnings for the 13-week period ended May 3, 2025 increased by \$3.4 million or 14.2% compared to the 13-week period ended May 4, 2024. This growth was primarily driven by higher revenue, which led to increased operating income, partially offset by higher net financing costs and increased depreciation and amortization.

Analysis of cash flows for the 13-week periods ended May 3, 2025 and May 4, 2024

The following table presents cash balances, cash flows from operating, investing and financing activities:

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Cash – beginning of period	74,195	8,135
Operating activities	62,695	46,816
Investing activities	(21,071)	(10,235)
Financing activities	(9,469)	(10,771)
Effect of foreign exchange rate changes on cash	222	(12)
Net increase (decrease) in cash	32,377	25,798
Cash – end of period	106,572	33,933

Operating activities

For the 13-week period ended May 3, 2025, cash generated from operating activities was \$62.7 million compared to \$46.8 million for the 13-week period ended May 4, 2024. The increase was mainly driven by higher net earnings for the period and a more favorable impact of changes in non-cash working capital components.

Investing activities

For the 13-week period ended May 3, 2025, cash used in investing activities was \$21.1 million compared to cash used of \$10.2 million for the 13-week period ended May 4, 2024. This variance is the result of a \$10.8 million increase in CAPEX compared to last year.

Financing activities

For the 13-week period ended May 3, 2025, cash used in financing activities was \$9.5 million compared to \$10.8 million for the 13-week period ended May 4, 2024. This decrease is primarily attributable to lower lease liability payments due to timing, as well as increased cash received from tenant inducements. However, the decrease was partially offset by \$2.3 million share repurchase payments under our NCIB program, which was not in place in Q1 2024.

Liquidity and capital resources

Our capital management strategy is to ensure sufficient liquidity to enable the financing of capital projects thereby facilitating our growth and maintaining a flexible capital structure that optimizes the cost of capital at an acceptable risk and preserves the ability to meet our financial obligations. The Company defines capital as its credit facilities and shareholders' equity.

We mainly use our funds for operating costs, to finance new stores and renovation projects, and debt payments. We believe that our cash generated from operating activities, along with our credit facilities, will be sufficient to finance new store and renovation projects and other investment projects. However, our future operating performance and funding ability will depend on various factors, some of which are beyond our control. We assess investment opportunities as part of our business and may make selective investments to execute our business strategy when we find suitable opportunities. In the past, we have financed any such investments from our cash generated from operating activities and/or our credit facilities.

Working capital

Our liquidity management involves ensuring that we have enough cash to pay our liabilities on time. We do this by tracking our cash flow and comparing our actual results with our budget regularly. Specifically, we have consistently achieved strong inventory turnover and cash conversion. As of the end of Q1 2025, we also have \$312 million in credit facilities that we can use to support our ongoing working capital needs, not including the impact of letters of credit totalling \$10.6 million at quarter end. Our main cash needs are for investing in our store network optimization and geographic expansion. As of May 3, 2025, our current assets were \$198.8 million, including cash of \$106.6 million, and our current liabilities were \$184.8 million. We believe that our existing cash and available credit facilities are enough to cover our current financial obligations. See a summary of our contractual obligations as documented below in this MD&A.

Inventories

Inventory, consisting of finished goods and finished goods that are currently in transit, is stated at the lower of cost and net realizable value. The use of proprietary business intelligence allows us to efficiently allocate inventory and to optimize our omnichannel operating model. We minimize our inventory costs through our agile product development and strategic sourcing capabilities which adjust production output to match demand fluctuations. As a result, we have achieved an inventory turnover ratio of 8.50x as of May 3, 2025, compared to 7.59x as of May 4, 2024, highlighting the effectiveness of our inventory management practices.

Free cash flow

Free cash flow for the first quarter of Fiscal 2025 increased by \$5.0 million to \$41.6 million, up from \$36.6 million in Q1 2024. This is the reflection of strong cash generated from operating activities, as the Company delivered strong sales, which has more than offset the higher CAPEX investments in Q1 2025 compared to Q1 2024.

Credit facilities

The original credit agreement dated November 10, 2022 (the "Original Credit Agreement") was amended and restated on March 25, 2024 (the "Amended and Restated Credit Agreement"), and the maturity date was extended by one year to November 10, 2026. Under the terms of the Amended and Restated Credit Agreement, proceeds from the revolving facility were used to refinance the term facility, such that the total commitments of the revolving facility under the Original Credit Agreement were increased by an amount of \$70,000, and the total commitments under the term facility were decreased by the same amount. As such, the Company was entitled to borrow up to an aggregate amount of \$326,250 under the terms of the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement also allowed for an increase of the revolving facility (accordion feature) up to \$100,000.

On November 20, 2024, the Amended and Restated Credit Agreement was further amended and restated into the Second Amended and Restated Credit Agreement. Under the terms of the Second Amended and Restated Credit Agreement, the outstanding balance of the term loan (\$86,750) was fully repaid by using proceeds from the repayment of the promissory note receivable from a parent company, reducing the term loan borrowings to \$nil. The outstanding balance of the revolving credit facility (\$7,000) was also fully repaid, reducing the borrowings to \$nil. Under the Second Amended and Restated Credit Agreement, the Company can borrow up to an aggregate amount of \$312,000 in the form of a revolving credit facility, with up to \$30,000 of letter of credit availability under the revolving credit facility, and swingline facilities of up to \$30,000 under the revolving credit facility.

Funds advanced under the Amended and Restated Credit Agreement bore interest at the Canadian bank prime rate and US bank base rate plus a margin, or at the CORRA rate and SOFR plus a margin (previously bore interest at the Canadian bank prime rate and U.S. bank base rate plus a margin, or at bankers' acceptances rate and CDOR plus a margin). The margin was determined based on a financial ratio. Post June 28, 2024, CDOR rates were no longer being published. As a result, in the second quarter of Fiscal 2024, the Company entered into amendments that included the transition from the CDOR to the CORRA. For the 13-week period ended May 3, 2025, the company had no borrowings under the credit facility. For the 13-week period ended May 4, 2024, the average interest rate was 7.44%.

The credit facilities are secured by first ranking security on all the movable and immovable, present and future assets of the Company, including all cash on hand.

As at May 3, 2025, the Company was compliant with all of its financial ratio requirements.

On June 16, 2025 the Second Amended and Restated Credit Agreement was further amended. See detail in the "Recent Event" section of this MD&A.

Net leverage ratio

For the 52-week period ended May 3, 2025, the Company's net leverage ratio decreased to 0.92x compared to 1.79x for the 53-week period ended May 4, 2024. This improvement is primarily due to the increase in adjusted EBITDA, coupled with the repayment of all of the outstanding borrowings under the credit facilities, which has more than offset the increase in lease liabilities and allowed the Company to reduce leverage significantly.

Financial ratios

The ROA of 23.8% for the 52-week period ended May 3, 2025 represents an increase from the ROA of 20.0% for the 53-week period ended May 4, 2024. This suggests that recent investments or operational improvements have been successful in enhancing profitability relative to the asset base.

For the 52-week period ended May 3, 2025, our return on capital employed ratio ("ROCE") was 44.5%, marking an improvement from 37.4% for the 53-week period ended May 4, 2024. This enhanced efficiency highlights the effectiveness of recent strategies and investments. The slower growth of average capital employed compared to adjusted operating income reflects strong capital utilization, enabling the generation of operating income. This positions the Company well to invest in new projects, open additional stores, and pursue other growth opportunities, all while maintaining profitability.

Contractual obligations

The Company has the following contractual obligations as of May 3, 2025:

	Total	Less than 1 year	Between 2 and 3 years	Between 4 and 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable	112,709	112,709	-	-	-
Notes payable to parent companies	10,520	10,520	-	-	-
Lease liabilities obligations ⁽¹⁾	675,534	79,023	169,678	137,220	289,613
	798,763	202,252	169,678	137,220	289,613

Note:

(1) Lease liabilities obligations include interest and principal amounts

Financial instruments

Our financial assets include cash and receivables that are classified as financial assets at amortized cost. Our financial liabilities, including accounts payable and accrued expenses, notes payable to parent companies and long-term debt are classified as financial liabilities at amortized cost. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. When the derivative financial instruments are designated in a hedge relationship, the change in fair value related to the effective portion of the hedge is recognized in other comprehensive income. See note 24 of our Annual Financial Statements for the risks associated with our financial instruments.

Off-balance sheet arrangements

We have no off-balance sheet arrangements. Our commitments, contingencies and guarantees relate to the following:

Commitments

In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions to various third parties to indemnify them in the event the Company does not perform its contractual obligations. As at May 3, 2025, standby letters of credit outstanding amounted to \$10,586 (US\$7,710).

Our third-party manufacturers acquire raw materials on our behalf for use in upcoming production in the normal course of business. As of May 3, 2025, we have purchase obligations totaling \$16,119 (\$16,202 as at February 1, 2025), which reflect commitments for fabric expected to be utilized in the next seasons.

Contingencies

In the ordinary course of business, the Company is exposed to various proceedings and claims. The Company assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and a reliable estimate of the amount can be made. Management believes that any settlement arising from claims will not have a significant effect on the Company's financial position or overall trends in results of operations.

Guarantees

Some agreements to which the Company is a party, specifically those related to the leasing of its premises, include indemnification provisions that may require the Company to make payments to a third party for a breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material obligations. The maximum potential number of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at May 3, 2025, management does not believe that these indemnification provisions would

require any material cash payment by the Company nor insurance coverage, estimated by management to be reasonable and sufficient, to minimize the previously mentioned risks.

As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees, and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company and maintains liability insurance for its directors and officers as well as those of its subsidiaries.

Transactions between related parties

See note 20 to the Interim Financial Statements and note 26 to Annual Financial Statements for the Company's related party transactions.

Leases

The Company is party to a lease agreement with AJL 5550 Ferrier Inc. and with 4450329 Canada Inc. for its head office at 5540, 5550 and 5592 Rue Ferrier, Mont-Royal, Québec H4P 1M2, Canada. Regarding its retail operations, the Company is party to a lease agreement with 9224-2239 Québec Inc., 9224-1892 Québec Inc., 4240073 Canada Inc. and 9171-9922 Québec Inc. for the locations at Units L08E-2, L11C and S8L in the Quartier Dix30 shopping centre, Brossard, Québec, Canada, as well as to a lease agreement with Quartier Royalmount Limited Partnership for Units E207 and E209 in the Royalmount shopping centre, Mont-Royal, Québec, Canada.

As at May 3, 2025 the outstanding balance of lease liabilities owed to a company under common control totalled \$20,086 (\$21,167 as at February 1, 2025).

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties, which approximate market value. The related parties and the parent companies are entities under the control of the Chair and CEO, Andrew Luffy.

Promissory Notes

On November 19, 2024, in connection with the IPO, the Company increased the stated capital of the Class "A" shares in an aggregate amount of \$222,000 and immediately thereafter decreased the stated capital of the Class "A" shares in an aggregate amount of \$16,235 and returned such capital to certain shareholders by issuing non-interest bearing demand promissory notes. The stated capital increase triggered a tax refund to the Company in an amount equivalent to the principal amount of the Notes payable to parent companies. Since the issuance, the Company has repaid \$5,715 of the principal, with the balances outstanding as at May 3, 2025 expected to be repaid during the next fiscal quarter. As of the date of this MD&A, the Notes payable to parent companies were repaid.

New and future accounting standard changes

See note 3 to the Interim Financial Statements for the new accounting policies. See note 4 to the Interim Financial Statements and note 3 to the Annual Financial Statements for a summary of future accounting standard changes.

Significant accounting judgments, estimates, and assumptions

See note 5 to the Interim Financial Statements and note 4 to the Annual Financial Statements for the Company's significant accounting judgments, estimates, and assumptions.

Summary of quarterly results

The following table sets forth selected quarterly statements of operations data for each of the eight fiscal quarters immediately preceding and including the fiscal quarter ended May 3, 2025. The information for each of these quarters has been prepared in accordance with IFRS Accounting Standards and on the same basis as the Annual Financial Statements. These quarterly operating results are not necessarily indicative of our operating results for a full-year or any future period.

<i>In thousands of Canadian dollars, except per share data</i>	13-week periods ended							
	May 3, 2025	Feb 1, 2025	Nov 2, 2024	Aug 3, 2024	May 4, 2024	Feb 3, 2024 ⁽¹⁾	Oct 28, 2023	Jul 29, 2023
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	226,656	271,765	258,772	239,104	188,884	240,291	220,148	186,810
Cost of sales	85,945	111,456	95,845	81,400	68,232	98,739	81,958	71,342
Gross profit	140,711	160,309	162,927	157,704	120,652	141,552	138,190	115,468
Selling, general and administrative expenses	74,691	87,027	80,030	79,871	66,233	74,365	66,622	67,231
Depreciation and amortization	21,299	22,250	20,027	17,728	16,754	18,430	17,903	16,797
Foreign exchange (gain) loss	398	310	(182)	(175)	(487)	254	383	(410)
Operating income	44,323	50,722	63,052	60,280	38,152	48,503	53,282	31,850
Finance expense	7,397	7,791	8,755	9,297	8,566	9,748	8,902	11,151
Finance income	(579)	(894)	(2,773)	(2,766)	(3,363)	(3,014)	(2,776)	(2,511)
Net financing costs	6,818	6,897	5,982	6,531	5,203	6,734	6,126	8,640
Earnings before income taxes	37,505	43,825	57,070	53,749	32,949	41,769	47,156	23,210
Income taxes	10,169	12,791	16,630	13,392	9,012	13,174	12,254	5,735
Net earnings	27,336	31,034	40,440	40,357	23,937	28,595	34,902	17,475
Earnings per share⁽²⁾								
Basic earnings per share ⁽²⁾	\$ 0.25	\$ 0.29	\$ 0.38	\$ 0.38	\$ 0.22	\$ 0.27	\$ 0.32	\$ 0.16
Diluted earnings per share ⁽²⁾	\$ 0.24	\$ 0.28	\$ 0.38	\$ 0.38	\$ 0.22	\$ 0.27	\$ 0.32	\$ 0.16

Notes:

(1) The quarter ended on February 3, 2024, comprises 14 weeks.

(2) Basic & diluted earnings per share are calculated, after giving the effect, on a retrospective basis, to the Share Consolidation that occurred in connection with the Pre-Closing Reorganization on November 20, 2024.

Non-IFRS Measures including Non-IFRS Financial Measures, Non-IFRS Ratios, Supplementary Financial Measures and Retail Industry Metrics

This MD&A makes reference to certain non-IFRS measures, including non-IFRS financial measures, non-IFRS ratios, supplementary financial measures and certain retail industry metrics. These measures are not recognized measures under IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards. We use non-IFRS financial measures including "EBITDA", "adjusted EBITDA", "adjusted EBITDA (after rent equivalent expense)", "free cash flow", "adjusted net earnings" and "adjusted net earnings per share" and non-IFRS ratios including "EBITDA margin", "adjusted EBITDA margin", "adjusted EBITDA (after rent equivalent expense) margin", "return on assets", "return on capital employed" and "net leverage ratio". We also use supplementary financial measures including "inventory turnover", "retail sales per square foot", "comparable store sales", "gross margin", "operating margin", "SG&A as a percentage of sales", "Adjusted SG&A as a percentage of sales" and "CAPEX" and other operating metrics commonly used in the retail industry. 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 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 forecasts and to determine components of management compensation.

Supplementary Financial Measures

Sales per square foot and retail sales per square foot

Sales per square foot is calculated as revenue divided by the average total square footage (i.e., retail footprint) of retail stores over the last 12 months, while retail sales per square foot uses revenue from retail stores (i.e., excluding revenue from our online channel) as the numerator. Average total square footage is determined by taking the sum of the last 12 months total square footage and dividing that sum by twelve. Sales per square foot and retail sales per square foot are considered useful supplementary measures as they are commonly used by issuers operating in the retail industry and help evaluate the Company's productivity of retail space.

Comparable store sales

Comparable store sales represent sales of retail stores relative to sales for the same period in the prior fiscal year. It provides insight on the performance of our portfolio of retail stores, hence on the success of our real estate strategy. We believe that the presentation of the comparable store sales metric contributes to the comparability of our performance with that of issuers operating in our industry. Stores must be open for at least 12 months and must not have been subject to any significant change in square footage to be comparable. A significant change in square footage means an increase or decrease by 20% of the total square footage.

Gross margin

Gross profit is calculated as total revenue less cost of sales and gross margin is the ratio of gross profit over total revenue. Gross margin is considered a useful supplementary measure as it outlines underlying trends in operating performance and contributes to the comparability of our financial results with that of issuers operating in our industry.

Operating margin

Operating margin is the ratio of operating income over revenue. Operating margin is considered a useful supplementary measure as it outlines underlying trends in operating performance and contributes to the comparability of our financial results with that of issuers operating in our industry.

SG&A as a percentage of sales

SG&A as a percentage of sales is calculated as SG&A over total revenue. SG&A as a percentage of sales is considered a useful supplementary measure as it outlines underlying trends in expenses relative to sales and contributes to the comparability of our financial results with that of issuers operating in our industry.

CAPEX

CAPEX represents the Company's capital investments, calculated as the total of additions to property and equipment combined with additions to intangible assets. This metric is important for readers of financial statements as it provides insights into a company's investment strategy and its commitment to growth.

Inventory turnover

Inventory turnover is the ratio of cost of sales sold over average inventory. Average inventory is determined by taking the sum of the current year's inventory and the inventory from 12 months ago, and then dividing that sum by two. It is considered a useful supplementary financial measure because it provides insight as to the Company's efficiency in converting inventory into revenue and contributes to the comparability of our financial results with that of issuers operating in our industry.

<i>In thousands of Canadian dollars</i>	52-week and 53-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Cost of sales	374,646	320,271
Inventory same period prior year	41,993	42,347
Inventory end of period	46,147	41,993
Average inventory	44,070	42,170
Inventory turnover	8.50	7.59

Non-IFRS Financial Measures and Non-IFRS Ratios

Earnings before interests, taxes, depreciation, amortization (“EBITDA”), adjusted EBITDA and adjusted EBITDA (after rent equivalent expense)

EBITDA is calculated as operating income plus depreciation and amortization. Adjusted EBITDA accounts for other one-time or non-cash items. We consider EBITDA to be a valuable non-IFRS measure in assessing the Company's operating performance. Adjusted EBITDA helps users of the financial statements identify underlying trends by providing a measure of operating performance which excludes non-representative income or expenses, non-cash items, or variations in other items not related to day-to-day operations such as stock-based compensation expense and other professional fees in connection with the IPO. We believe that the presentation of EBITDA contributes to the comparability of our financial results as it is a measure commonly used by issuers operating in our industry.

Adjusted EBITDA (after rent equivalent expense) is calculated as adjusted EBITDA less a rent equivalent expense equal to the sum of depreciation of right-of-use assets and interest expense on lease liabilities. It is intended to provide users of our financial information with a view of the Company's adjusted EBITDA after the impact of depreciation on our right-of-use asset and interest expense on lease liabilities, principally for the purposes of assisting with comparability of the performance between the Company and that of issuers operating in the same industry with a significant retail footprint.

EBITDA margin, adjusted EBITDA margin and adjusted EBITDA (after rent equivalent expense) margin

The EBITDA margin, adjusted EBITDA margin and adjusted EBITDA (after rent equivalent expense) margin represent EBITDA, adjusted EBITDA and adjusted EBITDA (after rent equivalent expense) as a percentage of revenue.

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Operating income	44,323	38,152
Depreciation and amortization	21,299	16,754
EBITDA	65,622	54,906
EBITDA margin	29.0%	29.1%

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
EBITDA	65,622	54,906
Adjustments to EBITDA		
Stock-based compensation expense	660	859
Professional fees related to the IPO	543	-
Total adjustments	1,203	859
Adjusted EBITDA	66,825	55,765
Adjusted EBITDA margin	29.5%	29.5%

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Adjusted EBITDA	66,825	55,765
Depreciation of right-of-use assets	(14,459)	(12,605)
Interest expense on lease liabilities	(6,525)	(5,419)
Adjusted EBITDA (After Rent Equivalent Expense)	45,841	37,741
Adjusted EBITDA (After Rent Equivalent Expense) margin	20.2%	20.0%

Adjusted SG&A as a percentage of sales

Adjusted SG&A as a percentage of sales is calculated as selling, general and administrative expenses plus or less non-recurring and non-cash items, over total revenue. The adjustments are made to exclude stock-based compensation expense and other professional fees in connection with the IPO. We consider adjusted SG&A as a percentage of sales to be a valuable non-IFRS measure as it contributes to the comparability of our financial results with that of issuers operating in our industry.

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
SG&A	74,691	66,233
Adjustments to SG&A		
Stock-based compensation expense	660	859
Professional fees related to the IPO	543	-
Total adjustments	1,203	859
Adjusted SG&A	73,488	65,374
Adjusted SG&A as a percentage of sales	32.4%	34.6%

Adjusted net earnings

Adjusted net earnings is calculated as net earnings plus or less non-recurring items and their ensuing tax impact, as applicable. The adjustments are made to exclude stock-based compensation expense and other professional fees in connection with the IPO. We consider adjusted net earnings to be a valuable non-IFRS measure as it contributes to the comparability of our financial results with that of issuers operating in our industry.

In addition to adjusted net earnings, we may present certain metrics and ratios with respect to adjusted net earnings including but not limited to adjusted net earnings per share. Adjusted net earnings per share are calculated, after giving the effect, on a retrospective basis, to the Share Consolidation that occurred in connection with the Pre-Closing Reorganization on November 20, 2024.

<i>In thousands of Canadian dollars, except per share data</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
Net earnings	\$ 27,336	\$ 23,937
Adjustments to net earnings		
Stock-based compensation expense	660	859
Professional fees related to the IPO	543	-
Income tax (recovery) expense on taxable items above	(144)	-
Total adjustments	1,059	859
Adjusted net earnings	28,395	24,796
Adjusted net earnings per share		
Basic	\$0.26	\$0.23
Diluted	\$0.25	\$0.23

Return on assets or ROA is the ratio of adjusted net earnings over average total assets and is a non-IFRS ratio. Average total assets is determined by taking the sum of the current year's total assets and the total assets from twelve months ago, and then dividing that sum by two. It is considered a useful non-IFRS ratio because it provides insight as to the Company's productive use of its assets and contributes to the comparability of our financial results with that of issuers operating in our industry.

<i>In thousands of Canadian dollars</i>	52-week and 53-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Adjusted net earnings	151,352	108,108
Average total assets	636,407	541,226
Return on assets	23.8%	20.0%

Return on capital employed or ROCE is the ratio of (i) the result of adjusted EBITDA reduced by depreciation and amortization over (ii) average capital employed, and is a non-IFRS ratio. Average capital employed is determined by taking the sum of the current year's total capital employed and the total capital employed from twelve months ago, and then dividing that sum by two. We calculate the capital employed by subtracting total current liabilities, excluding the short-term portion of long-term debt and lease liabilities, from total assets. It is considered a useful non-IFRS ratio because it provides insight as to the degree to which the Company's capital investments contribute to its profitability and contributes to the comparability of our financial results with that of issuers operating in our industry.

<i>In thousands of Canadian dollars</i>	52-week and 53-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Adjusted EBITDA	314,327	244,870
Depreciation and amortization	(81,304)	(69,884)
Adjusted EBITDA reduced by depreciation and amortization	233,023	174,986
Capital employed		
Average total Assets	636,407	541,226
- Average total current liabilities	(155,780)	(122,043)
+ Average short-term portion of long-term debt	9,924	19,820
+ Average short-term portion of lease liabilities	32,713	28,671
Average total capital employed	523,264	467,674
Return on capital employed	44.5%	37.4%

Free cash flow is calculated as cash flow generated from (used in) operating activities less cash used on the additions to property, equipment and intangible assets. We consider free cash flow to be a valuable non-IFRS financial measure as it provides users of the financial statements an indicator of our ability to generate cash to support future growth, debt repayment and potential distributions to shareholders.

<i>In thousands of Canadian dollars</i>	13-week periods ended	
	May 3, 2025	May 4, 2024
	\$	\$
Cash from operating activities	62,695	46,816
Additions to property and equipment	(18,774)	(8,470)
Additions to intangible assets	(2,297)	(1,765)
Free cash flow	41,624	36,581

Net leverage ratio is the ratio of **net debt**, which is calculated as long-term debt (including current portion) plus lease liabilities (including current portion) less cash, over adjusted EBITDA. We consider net leverage ratio to be a valuable non-IFRS ratio as it is an indicator of the Company's ability to meet financial obligations and contributes to the comparability of our financial results with that of issuers operating in our industry.

<i>In thousands of Canadian dollars</i>	52-week and 53-week periods ended	
	May 3, 2025	May 4, 2024
Net debt	\$	\$
Long-term debt including current portion	-	165,135
Lease liabilities including current portion	394,987	306,297
- Cash	(106,572)	(33,933)
Total net debt	288,415	437,499
Adjusted EBITDA	314,327	244,870
Net leverage ratio	0.92	1.79

Risk Factors

We believe that achieving our goal of driving long-term sustainable growth and creating stakeholder value depends on a variety of factors. While these factors present significant opportunities for our business, they also bring important challenges. The risks and uncertainties we face include, but are not limited to, those discussed in the "Financial Risk Management" section of our Annual Financial Statements, as well as other risk factors. These risks

encompass, but are not limited to, the following categories: economic conditions, merchandise offerings, brand and image, technology risks, human resources, store locations, growth strategy, and competition.

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.sedarplus.ca.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P"), or caused DC&P to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them by others, and that information required to be disclosed by the Company in its annual filings, interim 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 Company's Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting ("ICFR"), or caused ICFR to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the period beginning on February 2, 2025 and ended on May 3, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Normal course issuer bid

On April 14, 2025, the Company approved a normal course issuer bid ("NCIB"), authorizing the purchase of approximately 1.3 million subordinate voting shares, representing approximately 10% of the public float, over the course of twelve months commencing on or around April 17, 2025, and ending at the latest on April 16, 2026. All subordinate voting shares repurchased under the NCIB will be cancelled upon their repurchase.

During the first quarter of Fiscal 2025, 168,900 subordinate voting shares were repurchased for cancellation under this NCIB program at an average price of \$13.74 per subordinate voting share for total cash consideration of approximately \$2.3 million.

On April 21, 2025, the Company entered into an automatic share purchase plan ("ASPP") to facilitate repurchases of subordinate voting shares under its NCIB. Under the ASPP, the Company's broker may purchase subordinate voting shares from the effective date of the ASPP until the termination of the ASPP. All purchases of subordinate voting shares made under the ASPP will be included in determining the number of subordinate voting shares purchased under the NCIB. The ASPP will terminate when the NCIB expires, unless terminated earlier in accordance with the terms of the ASPP.

Current Share Information

The Company's authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, of which 15,327,765 subordinate voting shares, 92,615,622 multiple voting shares, and no preferred shares were issued and outstanding as of May 3, 2025. All of the issued and outstanding multiple voting shares are held or controlled, directly or indirectly, by Andrew Lutfy.

As of May 3, 2025, an aggregate of 8,020,149 options, 243,650 restricted share units ("RSUs") and 284,190 deferred share units ("DSUs") to acquire subordinate voting shares are outstanding.

Additional Information

Additional information relating to the Company, including Company's AIF is available on SEDAR+ at www.sedarplus.ca. The Company's subordinate voting shares are listed for trading on the TSX under the symbol "GRGD".