



GROUPE DYNAMITE INC.

Management's Discussion and Analysis

Fiscal year ended January 31, 2026

The following Management's Discussion and Analysis ("MD&A") for Groupe Dynamite Inc. is dated March 31, 2026 and provides information concerning our results of operations and financial condition for the 13-week and 52-week periods ended January 31, 2026 and February 1, 2025. The MD&A should be read in conjunction with our audited consolidated financial statements and the notes for the years ended January 31, 2026, and 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"). 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 "Q4 2025" are to the Company's 13-week period ended January 31, 2026; "Q4 2024" are to the Company's 13-week period ended February 1, 2025; "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 in this MD&A may relate to our future financial outlook and anticipated events or results and may include (without limitation) statements relating to: our business, brand positioning, brand awareness and brand expansions; our ability to continue creating accessible fashion and delivering on-trend products; the planned expansion and optimization of our store footprint and the achievements that can be derived therefrom; dividend payments and our expectations regarding the reinvestment in our business, the return of excess cash to shareholders, 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 future 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 2025 (the "AIF"). 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 138 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 January 31, 2026, we operate 173 stores in Canada, with retail locations in all Canadian provinces, and 134 stores in the United States, with retail locations across 39 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://www.Garageclothing.com) and [Dynamiteclothing.com](https://www.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.

Q4 2025 Financial Highlights

- Revenue increased to \$394.2 million in Q4 2025 from \$271.8 million in Q4 2024, representing an increase of \$122.4 million or 45.0%. 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 30.4% (27.3% on a constant currency basis) in Q4 2025, over and above comparable store sales growth of 9.5% in Q4 2024;
 - Revenue from new stores positively impacted by the opening of 20 gross new stores (9 net new stores) over the last 12-month period (3 gross new stores and 3 closures in Q4 2025), with all new store locations in the higher-growth U.S. market under the Garage banner; and
 - Online revenue growth of 63.3% in Q4 2025 compared to Q4 2024, supported by our focus on delivering a seamless omnichannel shopping experience to our customers.
- Gross profit increased to \$248.3 million in Q4 2025 from \$160.3 million in Q4 2024 and gross margin⁽¹⁾ increased to 63.0% from 59.0% over this same period.
- Operating income increased to \$116.0 million in Q4 2025 from \$50.7 million in Q4 2024.
- Adjusted EBITDA⁽¹⁾ increased to \$144.4 million in Q4 2025 from \$79.5 million in Q4 2024, resulting in adjusted EBITDA margin⁽¹⁾ of 36.6% from 29.2% in Q4 2024. This performance results from the combination of both a 400 basis points improvement in gross margin and a reduction of 340 basis points in adjusted SG&A as a percentage of sales⁽¹⁾.
- Net earnings increased to \$79.4 million in Q4 2025 from \$31.0 million in Q4 2024, representing an increase of \$48.4 million or 156.1%. Adjusted net earnings⁽¹⁾ increased to \$81.6 million in Q4 2025 from \$36.6 million in Q4 2024, representing an increase of \$45.0 million or 123.0%.

Fiscal year 2025 Financial Highlights

- Revenue increased to \$1,310.2 million in Fiscal 2025 from \$958.5 million in Fiscal 2024, representing an increase of \$351.7 million or 36.7%. Reflecting the success of our real estate and marketing strategies, the increase was driven by several factors such as:
 - Comparable store sales growth⁽¹⁾ of 26.7% (23.8% on a constant currency basis) in Fiscal 2025, over and above comparable store sales growth of 12.3% in Fiscal 2024;
 - Revenue from new stores positively impacted by the opening of 20 gross new stores (9 net new stores) over the last 12-month period, with all new store locations in the higher-growth U.S. market under the Garage banner; and
 - Online revenue growth of 44.2% in Fiscal 2025 compared to Fiscal 2024, supported by our focus on delivering a seamless omnichannel shopping experience to our customers.
- Retail sales per square foot⁽¹⁾ reached \$952 at the end of Fiscal 2025 compared to \$734 at the end of Fiscal 2024, representing an increase of 29.7%.
- Gross profit increased to \$836.5 million in Fiscal 2025 from \$601.6 million in Fiscal 2024 and gross margin⁽¹⁾ increased to 63.8% from 62.8% over this same period.
- Operating income increased to \$377.7 million in Fiscal 2025 from \$212.2 million in Fiscal 2024.
- Adjusted EBITDA⁽¹⁾ increased to \$477.9 million in Fiscal 2025 from \$303.3 million in Fiscal 2024, resulting in adjusted EBITDA margin⁽¹⁾ of 36.5% from 31.6% in Fiscal 2024. This performance results from the combination of both a 100 basis points improvement in gross margin and a reduction of 390 basis points in adjusted SG&A as a percentage of sales⁽¹⁾.
- Net earnings increased to \$252.2 million in Fiscal 2025 from \$135.8 million in Fiscal 2024, representing an increase of \$116.4 million or 85.7%. Adjusted net earnings⁽¹⁾ increased to \$257.8 million in Fiscal 2025 from \$147.8 million in Fiscal 2024, representing an increase of \$110.0 million or 74.4%.
- Inventory turnover⁽¹⁾ ratio was 9.85x at the end of Fiscal 2025 compared to 8.54x at the end of Fiscal 2024, reflecting the effectiveness of our market-leading inventory management system and contributing to lower markdown levels.
- Return on assets ratio ("ROA")⁽¹⁾ increased to 36.2% at the end of Fiscal 2025, up from 26.0% at the end of Fiscal 2024. This improvement in the ROA was driven by growth in adjusted net earnings over the last 12-month period, only partially offset by an increase in average total assets.
- Net leverage ratio⁽¹⁾ improved to 0.83x in Fiscal 2025 compared to 0.98x in Fiscal 2024. This improvement is due to the increase in adjusted EBITDA 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 2026 is contained in the Company's press release dated April 1, 2026 under the heading "Outlook". The press release is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.groupedynamite.com.

Recent Events

On December 19, 2025, as part of a reorganization, (the “December Lutfy Reorganization”), 92,615,622 Multiple Voting Shares, previously held by holding companies under the common control of Andrew Lutfy, were consolidated into a single holding company, 4370368 Canada Inc. (the “Principal Shareholder”), also indirectly controlled by Andrew Lutfy.

Following the December Lutfy Reorganization, on January 22, 2026, a second series of corporate transactions involving the Principal Shareholder and its affiliates were completed, which involved, among other transactions, the transfer of all of the Multiple Voting Shares of the Company to an entity indirectly controlled by Andrew Lutfy, 17612974 Canada Inc. (“NewCo”) (the “January Lutfy Reorganization”, and together with the December Lutfy Reorganization, the “Reorganizations”). In connection with the January Lutfy Reorganization, 88,615,622 Multiple Voting Shares and 4,000,000 Subordinate Voting Shares (the “Issued Shares”) were issued to the Principal Shareholder for consideration of transferring all of the issued and outstanding shares of NewCo to the Company. On February 1, 2026, as the last step of the January Lutfy Reorganization, Groupe Dynamite amalgamated with NewCo, its then wholly-owned subsidiary (and pursuant to which the Issued Shares were cancelled), with Groupe Dynamite as the continuing entity, and with no changes to its authorized or issued share capital. Immediately after the January Lutfy Reorganization, the Principal Shareholder owned directly 88,615,622 Multiple Voting Shares and 4,000,000 Subordinate Voting Shares, for an aggregate of 92,615,622 shares. The aggregate number of shares of Groupe Dynamite held by the Principal Shareholder or its affiliates and the aggregate number of issued and outstanding shares of Groupe Dynamite remained unchanged from immediately prior to the Reorganizations.

On February 1, 2026, we launched our online platform in the United Kingdom. On March 20, 2026, we expanded our international retail stores presence beyond the United States and Canada by opening our first Garage store in Bluewater Shopping Centre, near London, and on March 27, 2026, on Oxford Street, in London, United Kingdom.

On February 9, 2026, Mary-Ann Vitale was promoted to the role of Senior Vice President, Brand Garage.

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 of the AIF, which is incorporated by reference into this MD&A.

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 52% 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 2025, we have over 49 suppliers across more than 92 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. Key suppliers who have partnered with us for over eight years account for 70% of our total volume. 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 January 31, 2026, our stores (which occupy approximately 3,700 square feet on average) produced retail sales per square foot of approximately \$952. 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 19% of total revenue for the 12-month period ended January 31, 2026. 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

For the last 12 months ended January 31, 2026, a portion of our revenue is denominated 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 2025 and Fiscal 2024:

Annual Revenue	For the fiscal years ended	
	January 31, 2026	February 1, 2025
	%	%
First fiscal quarter	17	20
Second fiscal quarter	25	25
Third fiscal quarter	28	27
Fourth fiscal quarter	30	28
Fiscal year total	100%	100%

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, for retail sales, occurs at a point in time when 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, labour and the variable and short-term occupancy costs that are excluded from the lease liabilities.

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, Bangladesh and Cambodia with U.S. dollars. Therefore, our cost of sales is impacted indirectly by the fluctuation of the Chinese Renminbi, the Bangladeshi Taka and the Cambodian Riel 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, Bangladeshi Taka and Cambodian Riel 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 expense on short-term and long-term lease liabilities and Company's borrowings. These costs also include the amortization of deferred financing charges, interest income from cash and promissory note, and change in fair value of derivative financial instruments.

Selected Financial Information

In thousands of Canadian dollars, except per share data and retail sales per square foot	13-week periods ended		Fiscal years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
	\$	\$	\$	\$	\$
Revenue	394,183	271,765	1,310,234	958,525	800,833
Cost of sales	145,898	111,456	473,713	356,933	313,646
Gross profit	248,285	160,309	836,521	601,592	487,187
Operating expenses					
Selling, general and administrative expenses	105,804	87,027	363,982	313,161	272,338
Depreciation and amortization	25,862	22,250	94,092	76,759	69,370
Foreign exchange loss (gain)	624	310	760	(534)	288
Total operating expenses	132,290	109,587	458,834	389,386	341,996
Operating income	115,995	50,722	377,687	212,206	145,191
Net financing costs	5,765	6,897	25,412	24,613	26,548
Earnings before income taxes	110,230	43,825	352,275	187,593	118,643
Income taxes	30,783	12,791	100,102	51,825	32,827
Net earnings	79,447	31,034	252,173	135,768	85,816
Net earnings per share⁽³⁾					
Basic	\$0.73	\$0.29	\$2.33	\$1.26	\$0.80
Diluted	\$0.69	\$0.28	\$2.20	\$1.25	\$0.80
Additional financial measures					
Retail revenue	293,567	210,192	1,062,391	786,764	653,772
Comparable store sales growth ⁽¹⁾	30.4%	9.5%	26.7%	12.3%	8.2%
Retail sales per square foot ⁽¹⁾	\$952	\$734	\$952	\$734	\$619
Adjusted EBITDA ⁽¹⁾	144,392	79,465	477,850	303,267	217,365
Adjusted net earnings ⁽¹⁾	81,638	36,553	257,806	147,753	88,620
Adjusted net earnings per share ⁽¹⁾⁽³⁾					
Basic	\$0.75	\$0.34	\$2.38	\$1.37	\$0.82
Diluted	\$0.71	\$0.33	\$2.25	\$1.36	\$0.82
Gross margin ⁽¹⁾	63.0%	59.0%	63.8%	62.8%	60.8%
SG&A as a percentage of sales ⁽¹⁾	26.8%	32.0%	27.8%	32.7%	34.0%
Adjusted SG&A as a percentage of sales ⁽¹⁾	26.2%	29.6%	27.3%	31.2%	33.7%
Adjusted EBITDA margin ⁽¹⁾	36.6%	29.2%	36.5%	31.6%	27.1%
Ratios and other metrics:					
ROA ⁽¹⁾	36.2%	26.0%	36.2%	26.0%	17.9%
ROCE ⁽¹⁾	70.3%	47.4%	70.3%	47.4%	35.3%
Net leverage ratio ⁽¹⁾	0.83	0.98	0.83	0.98	1.96
Free cash flow ⁽¹⁾	101,481	55,269	335,217	163,667	92,373
Inventory turnover ⁽¹⁾	9.85	8.54	9.85	8.54	7.98
CAPEX ⁽¹⁾	26,390	12,626	85,520	63,307	53,392
Number of stores ⁽²⁾	307	298	307	298	290

<i>In thousands of Canadian dollars</i>	As at		
	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
	\$	\$	\$
Cash	82,478	74,195	8,135
Inventories	51,219	44,952	38,627
Total current assets	206,789	161,568	83,458
Property and equipment	164,675	107,465	65,419
Right-of-use assets	415,036	330,105	246,240
Total assets	805,888	618,637	516,476
Long-term portion of long-term debt	-	-	145,100
Long-term portion of lease liabilities	444,280	340,102	240,301
Total non-current liabilities	450,238	340,102	388,901
Total liabilities	711,961	477,323	511,548
Total shareholders' equity	93,927	141,314	4,928
Total debt ⁽¹⁾	477,248	372,581	433,275
Net debt ⁽¹⁾	394,770	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 (the "Share Consolidation").

Results of Operations

Summary of changes in our store portfolio

For the 52-week period ended January 31, 2026, we opened 20 new stores in the United States under the Garage retail banner. We also strategically closed 11 locations, and 13 stores were renovated or re-located to a more advantageous location. For the 52-week period ended February 1, 2025, we opened 17 new stores in the United States under the Garage retail banner and 3 new stores in Canada under both banners. We also strategically closed 12 locations, and 4 stores were renovated or re-located to a more advantageous location.

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

	As of and for the 52-week periods ended					
	January 31, 2026			February 1, 2025		
	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	-	20	20	2	17	19
Dynamite	-	-	-	1	-	1
	-	20	20	3	17	20
Store closures						
Garage	(2)	-	(2)	(7)	(1)	(8)
Dynamite	(8)	(1)	(9)	(3)	(1)	(4)
	(10)	(1)	(11)	(10)	(2)	(12)
Stores at the end of the period	173	134	307	183	115	298
Store renovations and relocations						
Garage	6	4	10	-	4	4
Dynamite	3	-	3	-	-	-
	9	4	13	-	4	4

Results of operations for the 13-week and 52-week periods ended January 31, 2026 and February 1, 2025

Revenue

Total revenue for the 13-week period ended January 31, 2026 increased by \$122.4 million or 45.0% compared to the 13-week period ended February 1, 2025. The majority of the increase is attributable to retail revenue, which increased by \$83.4 million or 39.7% over the 13-week period ended February 1, 2025. This growth was primarily due to a 30.4% (27.3% on a constant currency basis) increase in comparable store sales and the contribution from new stores. Online revenue for the 13-week period ended January 31, 2026 increased to \$100.6 million from \$61.6 million compared to the 13-week period ended February 1, 2025, representing an increase of \$39.0 million or 63.3%.

Total revenue for the 52-week period ended January 31, 2026 increased by \$351.7 million or 36.7% compared to the 52-week period ended February 1, 2025. The majority of the increase is attributable to retail revenue, which increased by \$275.6 million or 35.0% over the 52-week period ended February 1, 2025. This increase was driven by comparable store sales growth of 26.7% (23.8% on a constant currency basis) and revenue from new stores. Online revenue for the 52-week period ended January 31, 2026 increased to \$247.8 million from \$171.8 million compared to the 52-week period ended February 1, 2025, representing an increase of \$76.0 million or 44.2%.

Cost of sales and gross profit

Gross profit for the 13-week period ending January 31, 2026, increased by \$88.0 million, or 54.9%, compared to the 13-week period ending February 1, 2025. Gross margin increased by 400 basis points to 63.0%. This increase is attributable to the 45.0% revenue growth compared to the relatively lower increase in cost of sales of 30.9% which is due to controlled merchandise cost increases, lower markdowns and our pricing strategy.

Gross profit for the 52-week period ended January 31, 2026 increased by \$234.9 million or 39.0% compared to the 52-week period ended February 1, 2025. Gross margin improved by 100 basis points to 63.8%, reflecting the success of our pricing strategy partially offset by the impact of tariffs.

Selling, general and administrative expenses

SG&A for the 13-week period ending January 31, 2026, increased by \$18.8 million, or 21.6%, compared to the 13-week period ending February 1, 2025. This increase was primarily driven by the Company's growing scale and activities, leading to a \$13.6 million increase in wages, salaries, and employee benefits. Additionally, during Fiscal 2025, the Company strategically increased its marketing investment by launching more initiatives aimed at driving brand awareness, resulting in a \$6.8 million increase in selling and marketing expenses compared to Q4 2024. Administrative expenses decreased by \$1.6 million, as higher operating costs to support growth initiatives and new public company requirements were more than offset by \$3.7 million in IPO-related professional fees and \$1.9 million in stock-based compensation expense related to the revaluation of equity instruments recognized in the prior year. As a percentage of sales, SG&A decreased by 520 basis points from 32.0% in Q4 2024 to 26.8% in Q4 2025.

SG&A for the 52-week period ended January 31, 2026 increased by \$50.8 million, or 16.2% compared to the 52-week period ended February 1, 2025. This increase was primarily due to a \$35.8 million increase in wages, salaries, and employee benefits, driven by higher labour costs as revenue grew and a larger proportion of stores were opened in the U.S., where labour tends to be more expensive than in Canada. Selling and marketing expenses also increased by \$16.9 million due to higher investment to support business growth.

Depreciation and amortization

Depreciation and amortization for the 13-week period ended January 31, 2026 increased by \$3.6 million or 16.1% compared to the 13-week period ended February 1, 2025. Most of this increase is attributable to depreciation of property, plant and equipment and right-of-use assets, which increased by \$3.4 million or 16.9%, driven by a higher value of store leases capitalized under right-of-use assets and increased depreciation from investments in leasehold improvements in Q4 2025 compared to Q4 2024.

Depreciation and amortization for the 52-week period ended January 31, 2026 increased by \$17.3 million or 22.5% compared to the 52-week period ended February 1, 2025. Most of this increase is attributable to depreciation of property, plant and equipment and right-of-use assets, which increased by \$14.6 million or 20.4%, driven by a higher value of store leases capitalized under right-of-use assets and increased depreciation from investments in leasehold improvements in Fiscal 2025 compared to Fiscal 2024.

Net financing costs

Net financing costs for the 13-week period ended January 31, 2026 decreased by \$1.1 million or 15.9% compared to the 13-week period ended February 1, 2025. The decrease was primarily driven by a \$0.9 million increase in finance income, reflecting higher interest earned on increased cash balances.

Net financing costs for the 52-week period ended January 31, 2026 increased by \$0.8 million or 3.3% compared to the 52-week period ended February 1, 2025. This increase is due to a decrease in finance income of \$4.4 million partially offset by a \$3.6 million decrease in finance expense. This is mainly the result of the Company using the proceeds from the promissory note receivable from a parent company in the amount of \$110.0 million to reduce its outstanding balance on the credit facilities, partially offsetting higher interest expense on lease liabilities.

Operating income and adjusted EBITDA

Operating income for the 13-week period ended January 31, 2026 increased by \$65.3 million or 128.8% to reach \$116.0 million in Q4 2025 compared to \$50.7 million in Q4 2024. Similarly, adjusted EBITDA for the 13-week period ended January 31, 2026 increased by \$64.9 million or 81.6% to reach \$144.4 million in Q4 2025 compared to \$79.5 million in Q4 2024. The adjusted EBITDA margin improved to 36.6% compared to 29.2% in Q4 2024. This performance results from the combination of both a 400 basis points improvement in gross margin and a reduction of 340 basis points in adjusted SG&A as a percentage of sales, which decreased to 26.2% in Q4 2025 from 29.6% in Q4 2024.

Operating income for the 52-week period ended January 31, 2026 increased by \$165.5 million or 78.0% to reach \$377.7 million in Fiscal 2025 compared to \$212.2 million in Fiscal 2024. Similarly, adjusted EBITDA for the 52-week period ended January 31, 2026 increased by \$174.6 million or 57.6% to reach \$477.9 million in Fiscal 2025

compared to \$303.3 million in Fiscal 2024. The adjusted EBITDA margin improved to 36.5% in Fiscal 2025 compared to 31.6% in Fiscal 2024 mainly due to adjusted SG&A as a percentage of sales, which decreased to 27.3% in Fiscal 2025 from 31.2% in Fiscal 2024.

Net earnings

Net earnings for the 13-week period ended January 31, 2026 increased by \$48.4 million or 156.1% compared to the 13-week period ended February 1, 2025. This growth was mainly driven by higher revenue, which led to increased gross profit, partially offset by higher SG&A and increased depreciation and amortization.

Net earnings for the 52-week period ended January 31, 2026 increased by \$116.4 million or 85.7% compared to the 52-week period ended February 1, 2025. This growth was mainly driven by higher revenue, which led to increased gross profit, partially offset by higher SG&A and increased depreciation and amortization.

Analysis of cash flows for Fiscal 2025 and Fiscal 2024

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

<i>In thousands of Canadian dollars</i>	Years ended	
	January 31, 2026	February 1, 2025
	\$	\$
Cash – beginning of period	74,195	8,135
Operating activities	420,737	226,974
Investing activities	(85,520)	46,693
Financing activities	(328,020)	(206,200)
Effect of foreign exchange rate changes on cash	1,086	(1,407)
Net increase in cash	8,283	66,060
Cash – end of period	82,478	74,195

Operating activities

For the 52-week period ended January 31, 2026, cash generated from operating activities was \$420.7 million compared to \$227.0 million for the 52-week period ended February 1, 2025. 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 52-week period ended January 31, 2026, cash used in investing activities was \$85.5 million compared to cash from investing activities of \$46.7 million for the 52-week period ended February 1, 2025. This variance is attributable to last year's \$110.0 million proceeds from the promissory note receivable from a parent company, and to a \$22.2 million increase in CAPEX compared to last year.

Financing activities

For the 52-week period ended January 31, 2026, cash used in financing activities was \$328.0 million compared to \$206.2 million for the 52-week period ended February 1, 2025. This increase is driven by the payment of a \$252.4 million dividend, \$34.7 million of share repurchases under the normal course issuer bid ("NCIB") program, and \$10.5 million in repayments of notes payable to parent companies in Fiscal 2025. This compares to the repayment of long-term debt of \$173.3 million and proceeds from borrowings of \$7.0 million in Fiscal 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, debt payments and return capital to shareholders through opportunistic repurchases of shares and one-time special dividend payments using identified surplus liquidity. 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 Fiscal 2025, we also have \$312.0 million in credit facilities that we can use to support our ongoing working capital needs, not including the impact of letters of credit totalling \$10.4 million at year end. Our main cash needs are for investing in our store network optimization and geographic expansion. As of January 31, 2026, our current assets were \$206.8 million, including cash of \$82.5 million, and our current liabilities were \$261.7 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 9.85x as of January 31, 2026, compared to 8.54x as of February 1, 2025, highlighting the effectiveness of our inventory management practices.

Free cash flow

Free cash flow for Q4 2025 increased by \$46.2 million to \$101.5 million, up from \$55.3 million in Q4 2024. This is the reflection of strong cash generated from operating activities, as the Company delivered strong sales.

For the 52-week period ended January 31, 2026, the Company generated free cash flow of \$335.2 million, reflecting a robust financial position and an increase of \$171.5 million from last year. This year-over-year growth was mainly driven by a \$193.7 million increase in cash flow from operations partly offset by a \$22.3 million increase in CAPEX.

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 \$70.0 million, 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 \$326.3 million 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 \$100.0 million.

On November 20, 2024, the Amended and Restated Credit Agreement was further amended and restated (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 (\$86.8 million) 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 (\$7.0 million) 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 \$312.0 million in the form of a revolving credit facility, with up to \$30.0 million of letter of credit availability under the revolving credit facility, and swingline facilities of up to \$30.0 million under the revolving credit facility.

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

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 year ended January 31, 2026, the Company did not borrow any amounts under the credit facility, hence the Company had no outstanding borrowing as of January 31, 2026 (nil as of February 1, 2025).

For the year ended February 1, 2025, the Company repaid \$96,250 on its term loan, \$77,000 on its revolving facility and had drawings of \$7,000 under the revolving facility. The average interest rate for this period was 6.53%.

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 January 31, 2026, the Company was compliant with all of its financial ratio requirements.

Net leverage ratio

For the 52-week period ended January 31, 2026, the Company's net leverage ratio decreased to 0.83x compared to 0.98x for the 52-week period ended February 1, 2025. This improvement is primarily due to the increase in adjusted EBITDA which has more than offset the increase in lease liabilities and allowed the Company to reduce leverage.

Financial ratios

The ROA of 36.2% for the 52-week period ended January 31, 2026 represents an increase from the ROA of 26.0% for the 52-week period ended February 1, 2025. 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 January 31, 2026, the return on capital employed ratio ("ROCE") was 70.3%, marking an improvement from 47.4% for the 52-week period ended February 1, 2025. 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 January 31, 2026:

<i>In thousands of Canadian dollars</i>	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued expenses	144,816	144,816	-	-	-
Other long-term liabilities	5,958	-	5,958	-	-
Lease liabilities obligations ⁽¹⁾	759,475	91,351	182,216	156,897	329,011
	910,249	236,167	188,174	156,897	329,011

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 and notes payable to parent companies are classified as financial liabilities at amortized cost. The total return swap receivable as well as 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.

During the year ended January 31, 2026, the Company used total return swaps to hedge the risk of changes in future cash flows related to the RSU and DSU plans. The Company has funded the total return swap by prepayments to the counterparty of the initial notional amount of the swap. These financial instruments are designated as part of a cash flow hedge against the portion of the unrecognized obligation of the RSU and DSU plans. As at January 31, 2026, the carrying amount of the hedging instrument was \$17,287 (\$nil as at February 1, 2025).

See note 21 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 January 31, 2026, standby letters of credit outstanding amounted to \$10.4 million (US\$7.6 million).

Our third-party manufacturers acquire raw materials on our behalf for use in upcoming production in the normal course of business. As of January 31, 2026, we have purchase obligations totaling \$19.0 million (\$16.2 million 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 consolidated financial position or overall trends in consolidated 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 January 31, 2026, 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 mitigate 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

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 January 31, 2026 the outstanding balance of lease liabilities owed to a company under common control totalled \$18.7 million (\$21.2 million as at February 1, 2025).

During the year ended January 31, 2026, occupancy costs charged by the related parties but not included in the lease liabilities totalled \$1,607 (\$835 for the year ended February 1, 2025).

During the year, the Company also completed a series of related-party transactions undertaken by the Company which led to the conversion of 4,000,000 multiple voting shares into subordinate voting shares, with no impact on total share capital.

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 company are entities under the control of the Chair and Chief Executive Officer, 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 \$222.0 million and immediately thereafter decreased the stated capital of the Class "A" shares in an aggregate amount of \$16.2 million 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. As at January 31, 2026, the Company has fully repaid the notes payable to parent companies.

Remuneration of the key management of the Company

Key management consists of individuals holding the title of Senior Vice President or higher. Their remuneration is as follows:

	January 31, 2026	February 1, 2025
	\$	\$
Wages and salaries	5,572	3,009
Stock-based compensation expense	5,158	1,976
	10,730	4,985

Significant accounting judgments, estimates, and assumptions

The preparation of the consolidated financial statements in accordance with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The judgments, estimates and assumptions, which could result in a material adjustment to the carrying amount of assets and liabilities are discussed below:

Judgments

Lease terms: whether the Company is reasonably certain, at the lease commencement date, it will exercise available renewal or termination options and thus include such options in the lease terms.

Estimates

Return allowances: estimates of expected returns based on historical return patterns.

Inventories: estimates of net realizable value, which requires the Company to utilize estimates related to product quality, damages, future demand, selling prices, and market conditions. The Company periodically reviews its inventories and records a write-down if the cost exceeds net realizable value of inventory, based on the above factors.

Incremental borrowing rate: estimates of the incremental borrowing rate used for calculating lease liabilities and right-of-use-assets. The Company estimates the incremental borrowing rate of each leased asset as the rate of interest that the Company would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Deferred income tax assets: Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

Other: other estimates include determining the useful lives and depreciation methods applied to property, plant and equipment and intangible assets with definite lives for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue and provisions; and in measuring certain fair values, stock-based payments, obligations related to the RSU and DSU plans and financial instruments.

New and future accounting standard changes

A number of new standards, and amendments to standards and interpretations, are effective for the current periods, and some are effective in future periods and have not been applied in preparing the Annual Financial Statements and this MD&A.

Standards issued and not yet adopted

Amendments to the Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9)

In May 2024, the IASB issued IFRS 7 and IFRS 9 Amendments to the Classification and Measurement of Financial Instruments. The amendments clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets; and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). IFRS 7 and IFRS 9 amendments applies for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of these amendments on its interim and annual financial statements. The Company doesn't expect the amendments to have a significant impact on its financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1, retaining many of its existing requirements while introducing additional guidance. Some paragraphs from IAS 1 have also been relocated to IAS 8 and IFRS 7. In addition, the IASB has made minor amendments to IAS 7 (Statement of Cash Flows) and IAS 33 (Earnings per Share). The new standard introduces requirements to present specified categories and defined subtotals in the statement of profit or loss, to disclose management-defined performance measures (MPMs) in the notes to the financial statements, and to enhance the aggregation and disaggregation of information. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of IFRS 18 on its interim and annual financial statements.

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 January 31, 2026. 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.

In thousands of Canadian dollars, except per share data	13-week periods ended							
	Jan 31, 2026	Nov 1, 2025	Aug 2, 2025	May 3, 2025	Feb 1, 2025	Nov 2, 2024	Aug 3, 2024	May 4, 2024
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	394,183	362,970	326,425	226,656	271,765	258,772	239,104	188,884
Cost of sales	145,898	122,926	118,944	85,945	111,456	95,845	81,400	68,232
Gross profit	248,285	240,044	207,481	140,711	160,309	162,927	157,704	120,652
Selling, general and administrative expenses	105,804	95,818	87,669	74,691	87,027	80,030	79,871	66,233
Depreciation and amortization	25,862	24,294	22,637	21,299	22,250	20,027	17,728	16,754
Foreign exchange loss (gain)	624	(182)	(80)	398	310	(182)	(175)	(487)
Operating income	115,995	120,114	97,255	44,323	50,722	63,052	60,280	38,152
Finance expense	7,608	7,497	8,285	7,397	7,791	8,755	9,297	8,566
Finance income	(1,843)	(1,893)	(1,060)	(579)	(894)	(2,773)	(2,766)	(3,363)
Net financing costs	5,765	5,604	7,225	6,818	6,897	5,982	6,531	5,203
Earnings before income taxes	110,230	114,510	90,030	37,505	43,825	57,070	53,749	32,949
Income taxes	30,783	33,005	26,145	10,169	12,791	16,630	13,392	9,012
Net earnings	79,447	81,505	63,885	27,336	31,034	40,440	40,357	23,937
Earnings per share⁽¹⁾								
Basic earnings per share ⁽¹⁾	\$ 0.73	\$ 0.75	\$ 0.59	\$ 0.25	\$ 0.29	\$ 0.38	\$ 0.38	\$ 0.22
Diluted earnings per share ⁽¹⁾	\$ 0.69	\$ 0.71	\$ 0.56	\$ 0.24	\$ 0.28	\$ 0.38	\$ 0.38	\$ 0.22

Notes:

(1) Basic and diluted earnings per share are calculated, after giving the effect, on a retrospective basis, to the Share Consolidation

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”, “adjusted SG&A as a percentage of sales”, “comparable store sales”, “comparable store sales on a constant currency basis”, “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”, “gross margin”, “operating margin”, “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 Accounting Standards measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS Accounting Standards 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.

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>	Years ended		
	January 31, 2026	February 1, 2025	February 3, 2024
	\$	\$	\$
Cost of sales	473,713	356,933	313,646
Inventory same period prior year	44,952	38,627	40,028
Inventory end of period	51,219	44,952	38,627
Average inventory	48,086	41,790	39,328
Inventory turnover	9.85	8.54	7.98

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, gains or losses on lease modifications and other professional fees in connection with the IPO. As of Q2 2025, we revised our definition of adjusted EBITDA to exclude gains or losses on lease modifications, and, where applicable, we restated prior-period figures to reflect this change. 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		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
	\$	\$	\$	\$	\$
Operating income	115,995	50,722	377,687	212,206	145,191
Depreciation and amortization	25,862	22,250	94,092	76,759	69,370
EBITDA	141,857	72,972	471,779	288,965	214,561
EBITDA margin	36.0%	26.9%	36.0%	30.1%	26.8%

	13-week periods ended		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
<i>In thousands of Canadian dollars</i>					
	\$	\$	\$	\$	\$
EBITDA	141,857	72,972	471,779	288,965	214,561
Adjustments to EBITDA					
Stock-based compensation expense ⁽¹⁾	2,535	2,817	6,341	5,557	2,804
Gain on lease modifications	-	-	(813)	-	-
Professional fees related to the IPO	-	3,676	543	8,745	-
Total adjustments	2,535	6,493	6,071	14,302	2,804
Adjusted EBITDA	144,392	79,465	477,850	303,267	217,365
Adjusted EBITDA margin	36.6%	29.2%	36.5%	31.6%	27.1%

(1) This excludes the expenses related to cash-settled deferred share units granted under the Shared Success Program, as well as those paid in lieu of bonus under the omnibus equity incentive plan (the "Omnibus Plan").

	13-week periods ended		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
<i>In thousands of Canadian dollars</i>					
Adjusted EBITDA	144,392	79,465	477,850	303,267	217,365
Depreciation of right-of-use assets	(16,202)	(14,486)	(61,214)	(53,902)	(45,929)
Interest expense on lease liabilities	(7,715)	(6,445)	(28,382)	(23,768)	(19,288)
Adjusted EBITDA (After Rent Equivalent Expense)	120,475	58,534	388,254	225,597	152,148
Adjusted EBITDA (After Rent Equivalent Expense) margin	30.6%	21.5%	29.6%	23.5%	19.0%

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, gains or losses on lease modifications and other professional fees in connection with the IPO. As of Q2 2025, we revised our definition of adjusted SG&A to exclude gains or losses on lease modifications, and, where applicable, we restated prior-period figures to reflect this change. 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.

	13-week periods ended		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
<i>In thousands of Canadian dollars</i>					
	\$	\$	\$	\$	\$
SG&A	105,804	87,027	363,982	313,161	272,338
Adjustments to SG&A					
Stock-based compensation expense ⁽¹⁾	2,535	2,817	6,341	5,557	2,804
Gain on lease modifications	-	-	(813)	-	-
Professional fees related to the IPO	-	3,676	543	8,745	-
Total adjustments	2,535	6,493	6,071	14,302	2,804
Adjusted SG&A	103,269	80,534	357,911	298,859	269,534
Adjusted SG&A as a percentage of sales	26.2%	29.6%	27.3%	31.2%	33.7%

(1) This excludes the expenses related to cash-settled deferred share units granted under the Shared Success Program, as well as those paid in lieu of bonus under the omnibus equity incentive plan (the "Omnibus Plan").

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, gains or losses on lease modifications and other professional fees in connection with the IPO. As of Q2 2025, we revised our definition of adjusted net earnings to exclude gains or losses on lease modifications, and, where applicable, we restated prior-period figures to reflect this change. 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.

	13-week periods ended		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
<i>In thousands of Canadian dollars, except per share data</i>					
	\$	\$	\$	\$	\$
Net earnings	79,447	31,034	252,173	135,768	85,816
Adjustments to net earnings					
Stock-based compensation expense ⁽¹⁾	2,535	2,817	6,341	5,557	2,804
Gain on lease modifications	-	-	(813)	-	-
Professional fees related to the IPO	-	3,676	543	8,745	-
Income tax (recovery) expense on taxable items above	(344)	(974)	(438)	(2,317)	-
Total adjustments	2,191	5,519	5,633	11,985	2,804
Adjusted net earnings	81,638	36,553	257,806	147,753	88,620
Adjusted net earnings per share					
Basic	\$0.75	\$0.34	\$2.38	\$1.37	\$0.82
Diluted	\$0.71	\$0.33	\$2.25	\$1.36	\$0.82

(1) This excludes the expenses related to cash-settled deferred share units granted under the Shared Success Program, as well as those paid in lieu of bonus under the omnibus equity incentive plan (the "Omnibus Plan").

Comparable store sales represent sales of retail stores relative to sales for the same period in the prior fiscal year calculated using budgeted exchange rates. When expressed in constant currency, this metric is adjusted to remove the impact of foreign exchange fluctuations. 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.

<i>In thousands of Canadian dollars</i>	13-week periods ended			Years ended		
	Jan 31, 2026	Feb 1, 2025	Variance	Jan 31, 2026	Feb 1, 2025	Variance
Retail revenue	293,567	210,192	39.7%	1,062,391	786,764	35.0%
Comparable store sales on a constant currency basis			27.3%			23.8%
Foreign currency exchange impact			3.1%			2.9%
Comparable store sales			30.4%			26.7%
Non-comparable store sales and others			9.3%			8.3%

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>	Years ended		
	January 31, 2026	February 1, 2025	February 3, 2024
	\$	\$	\$
Adjusted net earnings	257,806	147,753	88,620
Average total assets	712,263	567,557	494,054
Return on assets	36.2%	26.0%	17.9%

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>	Years ended		
	January 31, 2026	February 1, 2025	February 3, 2024
	\$	\$	\$
Adjusted EBITDA	477,850	303,267	217,365
Depreciation and amortization	(94,092)	(76,759)	(69,370)
Adjusted EBITDA reduced by depreciation and amortization	383,758	226,508	147,995
Capital employed			
Average total assets	712,263	567,557	494,054
- Average total current liabilities	(199,472)	(129,934)	(124,418)
+ Average short-term portion of long-term debt	-	9,920	19,789
+ Average short-term portion of lease liabilities	32,724	30,257	29,792
Average total capital employed	545,514	477,800	419,217
Return on capital employed	70.3%	47.4%	35.3%

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		Years ended		
	Jan 31, 2026	Feb 1, 2025	Jan 31, 2026	Feb 1, 2025	Feb 3, 2024
	\$	\$	\$	\$	\$
Cash from operating activities	127,871	67,895	420,737	226,974	145,765
Additions to property and equipment	(24,007)	(8,580)	(75,869)	(52,659)	(48,422)
Additions to intangible assets	(2,383)	(4,046)	(9,651)	(10,648)	(4,970)
Free cash flow	101,481	55,269	335,217	163,667	92,373

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>	Years ended		
	January 31, 2026	February 1, 2025	February 3, 2024
	\$	\$	\$
Net debt			
Long-term debt including current portion	-	-	164,939
Lease liabilities including current portion	477,248	372,581	268,336
- Cash	(82,478)	(74,195)	(8,135)
Total net debt	394,770	298,386	425,140
Adjusted EBITDA	477,850	303,267	217,365
Net leverage ratio	0.83	0.98	1.96

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 "Risk Factors" section of the Company's AIF, which is available on SEDAR+ at www.sedarplus.ca, 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.

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The exposure comes mainly from its operations in the United States and from other working capital balances denominated in U.S. dollars. The Company also has minimal exposure to the British pound, the euro, Chinese Renminbi, the Bangladeshi Taka and the Cambodian Riel.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and cash. The Company might be exposed to interest rate fluctuations due to its revolving facilities having floating interest rates. As of January 31, 2026, there was no outstanding balance, resulting in minimal risk exposure.

Equity price risk

The Company is exposed to equity price risk in connection with its cash-settled RSUs and DSUs, as an increase in the price of its subordinate voting shares results in a higher potential cash outflow. A liability is recognized for the estimated future settlement of these awards, measured at fair value at each reporting date. To mitigate the variability in cash flows associated with these obligations, the Company enters into total return swaps, which substantially offset the related exposure. Such contracts are entered into only with major financial institutions.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash, receivables and derivative contracts used to hedge for market risks. The Company offsets credit risks associated with cash and derivative contracts by dealing only with major financial institutions that have high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due and does so by monitoring its cash balances and cash flows generated from operations to meet its requirements. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its accounts payable and accrued expenses and lease liabilities.

See note 22 of our Annual Financial Statements for more information on our financial risk management.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and have caused them to be designed under their supervision to provide reasonable assurance that:

- Material information related to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and
- Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and CFO have evaluated or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P and based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's DC&P were effective as at January 31, 2026.

The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") and have designed ICFR or have caused ICFR to be designed under their supervision using the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. The CEO and CFO have evaluated or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and based on their evaluation, the CEO and CFO have concluded that ICFR were designed and operated effectively as at January 31, 2026.

There were no changes in the Company's ICFR that occurred during the period beginning on November 2, 2025 and ended on January 31, 2026 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 are cancelled upon their repurchase.

During the year ended January 31, 2026, the Company repurchased 883,100 subordinate voting shares for cancellation under the NCIB at an average price of \$39.28 per subordinate voting share for total cash consideration of approximately \$34.7 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. As at January 31, 2026, the Company recognized a provision of \$27,779 for the repurchase of subordinate voting shares under the ASPP within accounts payables and accrued expenses as an estimate of the maximum number of shares that could be repurchased during the blackout period.

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 21,123,213 subordinate voting shares, 88,615,622 multiple voting shares, and no preferred shares were issued and outstanding as of February 1, 2026. All of the issued and outstanding multiple voting shares are held or controlled, directly or indirectly, by Andrew Lutfy.

As of January 31, 2026, an aggregate of 5,338,408 options, 277,345 restricted share units and 238,707 deferred share units to acquire subordinate voting shares are outstanding.

Additional Information

Additional information relating to the Company, including the 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".