ARITZIA NEWS RELEASE

Aritzia Reports Financial Results for First Quarter ended May 31, 2020

eCommerce revenue increased by 150% from boutique closures through to the end of the quarter
Reopened 89 of 96 boutiques as of July 9, 2020

VANCOUVER, July 9, 2020 /PRNewswire/ - Aritzia Inc. ("Aritzia" or the "Company") (TSX: ATZ), a vertically integrated, innovative design house of exclusive fashion brands offering Everyday Luxury in its boutiques and online, today announced first quarter financial results for fiscal 2021 ended May 31, 2020 and provided an update on recent developments related to the COVID-19 global pandemic.



Le Fou Wilfred, 1–01 Babaton and Babaton, exclusive to Aritzia

“The first two weeks of the quarter, we saw a meaningful decline in our sales leading up to the closure of our 96 boutiques on March 16. We took immediate action to drive eCommerce revenue and manage expenditures to maintain liquidity and preserve our solid financial position. Our beautiful product assortment, best-in-class distribution centre operations, aspirational website and loyal clientele led to eCommerce growth in excess of 150% through to the end of the quarter. This corresponding eCommerce growth, coupled with prudent inventory and expense management, enabled us to end the quarter in a solid cash position,” said Brian Hill, Founder, Chief Executive Officer and Chairman.

“The crisis has accelerated the shift toward eCommerce across the retail landscape, and we are well-positioned to benefit from the meaningful infrastructure investments we have made in this area. Looking ahead, we continue to enhance our eCommerce capabilities and omni-channel experience, while capitalizing on the unprecedented expansion opportunities in real estate. While the retail environment is likely to continue to be uncertain through the remainder of the year, we are confident in the tremendous growth potential of our business and we will continue to invest in exceptional talent and world-class infrastructure. I thank our Aritzia clients for their deep loyalty and our outstanding team for their remarkable resilience as we navigate through these unprecedented times,” concluded Mr. Hill.

Highlights for the First Quarter

- Aritzia experienced a significant decline in sales during the first two weeks of March
- The Company temporarily closed all of its 96 boutiques on March 16, 2020 due to COVID-19
- eCommerce revenue growth was in excess of 150% from boutique closures to the end of the quarter
- A phased reopening of its boutiques commenced on May 7, 2020, with 30 boutiques reopened by the end of the quarter
- Net revenue decreased by 43.4% to $111.4 million from Q1 last year
- Gross profit margin(1) decreased to 11.7% from 43.5% in Q1 last year, due to the significant deleveraging of occupancy, warehousing and distribution costs from the loss of retail revenue,

including higher markdowns as the Company moved swiftly to decrease its inventory exposure in anticipation of prolonged boutique closures

- Adjusted EBITDA[(1)] decreased to $(25.2) million from $35.4 million in Q1 last year
- Adjusted Net Income (Loss) per diluted share[(1)] was $(0.23), compared to $0.17 in Q1 last year
- Cash and cash equivalents at the end of Q1 totaled $224.3 million, compared to $35.8 million at the end of Q1 last year
- Inventory at end of Q1 was $114.6 million, compared to $109.1 million at the end of Q1 last year. Notably, seasonal inventory decreased to $11.0 million this year compared to $26.0 million last year

Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures. See "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information".

Financial Results for the First Quarter

All comparative figures below are for the 13-week period ended May 31, 2020, compared to the 13-week period ended June 2, 2019.

Net revenue decreased by 43.4% to $111.4 million, compared to $196.7 million in the first quarter last year. The decrease in net revenue was the result of temporary boutique closures due to COVID-19 for the majority of the first quarter, partially offset by eCommerce revenue growth in excess of 150% from the beginning of boutique closures, driven primarily by an increase in traffic and conversion.

Gross profit decreased to $13.1 million, compared to $85.6 million in the first quarter last year. Gross profit margin was 11.7% compared to 43.5% in the first quarter last year. The decrease in gross profit margin was primarily due to occupancy, warehousing and distribution centre cost deleverage from the significantly reduced retail revenue, along with higher markdowns from successful sales events that drove the Company's eCommerce revenue during boutique closures. Starting in April, the Company suspended rent payments for a vast majority of its closed boutiques, however, for accounting purposes it accrued all occupancy costs. The Company remains in active and ongoing discussions with its landlords.

Selling, general and administrative ("SG&A") expenses decreased by 20.1% to $43.5 million, compared to $54.4 million in the first quarter last year. SG&A expenses were 39.1% of net revenue compared to 27.7% of net revenue in the first quarter last year. To-date, the Company has not laid off or furloughed any of its employees due to COVID-19 and has continued to pay its retail employees their full salaries. This was offset by $13.8 million of government payroll subsidies recognized during the first quarter. Deleverage in SG&A expenses during the first quarter was primarily due to the loss of revenue from the boutique closures.

Other income was $1.2 million, compared to $1.3 million in the first quarter last year. Other income this quarter primarily relates to unrealized and realized operational foreign exchange gains of $1.6 million and interest income of $0.3 million, partially offset by unrealized losses on equity derivative contracts of $(0.8) million. Other income in the first quarter last year primarily consisted of unrealized and realized operational foreign exchange gains of $1.1 million and interest income of $0.1 million.

Adjusted EBITDA[(1)] was $(25.2) million, or (22.7%) of net revenue, compared to $35.4 million, or 18.0% of net revenue, in the first quarter last year primarily driven by the temporary boutique closures and the deleverage of expenses. Adjusted EBITDA excludes the favorable impact of IFRS 16, stock-based compensation expense and unrealized losses on equity derivative contracts.

Net loss was $(26.5) million, compared to net income of $16.2 million in the first quarter last year. The decrease in net income during the quarter was primarily driven by the factors described above.

Adjusted Net Loss[(1)] was $(24.9) million, compared to adjusted net income of $18.5 million in the first quarter last year. Adjusted Net Income excludes the impact of stock-based compensation expense and unrealized losses on equity derivative contracts, net of related tax effects.

Adjusted Net Loss per diluted share[(1)] was $(0.23) compared to adjusted net income per diluted share of $0.17 in the first quarter last year.

Cash and cash equivalents at the end of the first quarter totaled $224.3 million, compared to $35.8 million at the end of the first quarter last year. The cash position at the end of the first quarter reflects the full drawdown of the Company's revolving credit facility of $100.0 million and the reduction and suspension of certain of the Company's cash expenses.

(1) See "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures. See also sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures including Retail Industry Metrics" and "Selected Consolidated Financial Information" in the Management's Discussion and Analysis for further details concerning comparable sales growth, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share and free cash flow including definitions and reconciliations to the relevant reported IFRS measure.

COVID-19 and other developments

As previously announced in May, the Company undertook prudent measures to enhance its short-term liquidity and protect its cash position.

Recent developments and ongoing efforts include:

- **89 boutiques have been reopened** as of July 9th, 2020**,** with initial sales exceeding expectations;
- **eCommerce revenue growth remains strong,** although the trend has moderated since boutique reopenings;
- **Inventory well-positioned for Fall/Winter** with lower initial buy and flexibility to reorder to meet demand;
- **Continuing to leverage applicable government business support programs**, when qualified, for COVID-19;
- **Drove additional cost reductions** by minimizing non-essential operating costs and ongoing negotiations with suppliers and landlords for concessions;
- **Extended payment terms** where possible;
- **Recommenced capital expenditures on boutique construction;** and
- **Increased access to work at Aritzia's Support Office in British Columbia** to select employees on June 1, 2020 under stringent health precautions on a voluntary basis.

In addition, Aritzia undertook several initiatives in support of its people and communities:

- **Paid $20 million through the Aritzia Community™ Relief Fund** to ensure financial continuity for its people during boutique closures and to enable seamless boutique reopenings;
- **Gifted 100,000 Aritzia Community™ clothing packages** to frontline healthcare heroes in Canada and the United States;
- **Investing $1 million towards internal Diversity and Inclusion initiatives**; and
- **Donated $100,000 to Black Lives Matter and the NAACP**.

Outlook

Net revenue for the first five weeks of the second quarter was down approximately 25% to 30% compared to last year. As of July 9, 2020, 89 of the 96 boutiques have reopened and are trending, on average, at 55% to 65% of last year's productivity levels. While Aritzia anticipates boutique performance to improve sequentially, it continues to expect an extended ramp up to a new normal. To-date, eCommerce revenue growth in the second quarter has moderated with the reopening of the majority of its boutiques and is currently trending 50% to 100% higher than last year, varying by region based on store reopenings and the extent of impact by COVID-19.

In order to ensure the health and safety of its people and clients, Aritzia has implemented stringent protocols for its boutiques, distribution centre and support offices. These incremental measures are expected to add additional labour and operating expenses of approximately $4 million per quarter for the foreseeable future.

Aritzia expects capital expenditures for fiscal 2021 to be approximately $30 to $35 million. In addition to the opening of McArthur Glen in British Columbia on May 27, 2020, the Company currently anticipates opening another five to six new boutiques, two exclusive pop-ups and repositioning three existing locations during the remainder of fiscal 2021. Approximately 50% of these new leases reflect compelling post-COVID financial terms.

Given the ongoing uncertainty related to COVID-19, the Company will not be providing guidance for the second quarter and full year fiscal 2021 financial results.

Conference Call Details

A conference call to discuss first quarter results is scheduled for Thursday, July 9, 2020, at 1:30 p.m. PT / 4:30 p.m. ET. To participate in the conference call, please dial 1-800-319-4610 (North America toll-free) or 1-416-915-3239 (Toronto and overseas long-distance). The call is also accessible via webcast at http://investors.aritzia.com/events-and-presentations/. A replay of the conference call can be accessed shortly after the conclusion of the call. To access the replay, please dial 1-855-669-9658 and use replay access code 4772. A replay of the webcast will be available at the conclusion of the call and will remain on Aritzia's investor relations website.

About Aritzia

Aritzia is an innovative design house and fashion boutique. We conceive, create, develop and retail fashion brands with a depth of design and quality that provides compelling value. Each of our exclusive brands has its own vision and distinct aesthetic point of view. As a group, they are united by an unwavering commitment to superior fabrics, meticulous construction and relevant, effortless design.

Founded in Vancouver in 1984, Aritzia now has more than 95 locations in select cities across North America, including Vancouver, Toronto, Montreal, New York, Los Angeles, San Francisco and Chicago. We pride ourselves on creating immersive, human and highly personal shopping experiences, both in our boutiques and on aritzia.com — with a focus on delivering Everyday Luxury.

Comparable Sales Growth

Comparable sales growth is typically a useful operating metric in assessing the performance of the Company's business. However, as the temporary boutique closures from COVID-19 have resulted in all boutiques being removed from its comparable store base, the Company believes comparable sales growth is not currently representative of its business and therefore the Company has not included this metric in this press release.

Non-IFRS Measures including Retail Industry Metrics

This press release makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share", and "gross profit margin". This press release also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including retail industry metrics 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. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A. Such reconciliations can also be found in this press release under the heading "Selected Consolidated Financial Information".

Forward-Looking Information

Certain statements made in this press release may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook, the shift toward eCommerce across the retail landscape and our ability to benefit from such migration, the ability to capitalize on real estate opportunities, and anticipated events or results and include, but are not limited to, expectations regarding our expectations relating to our growth through a challenging retail environment, our ability to scale inventory in order to meet demand and our financial performance through the balance of the fiscal year, an extended ramp up to a new normal with respect to boutique performance, additional labour and operating expenses of approximately $4 million per quarter to implement stringent protocols for our boutiques, distribution centre and support offices and capital expenditures for fiscal 2021 of approximately $30 to $35 million. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the limitations or restrictions that may be placed on servicing our clients in reopened boutiques or potential re-closing of boutiques; (b) the COVID-19-related impacts on Aritzia's business, operations, supply chain performance and growth strategies, (c) Aritzia's ability to mitigate such impacts, including ongoing measures to enhance short-term liquidity, contain costs and safeguard the business; (d) Aritzia's ability to open five to six new boutiques, two exclusive pop-ups and repositioning of three existing locations during the remainder of fiscal 2021 (e) general economic conditions related to COVID-19 and impacts to consumer discretionary spending and shopping habits; (f) credit, market, currency, interest rates, operational, and liquidity risks generally; and (g) other risks inherent to Aritzia's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's annual information form dated May 28, 2020 for the fiscal year ended March 1, 2020 (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.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, 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 securities laws.

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Selected Consolidated Financial Information

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS:

(in thousands of Canadian dollars, unless otherwise noted)	**Q1 2021 13 weeks**		**Q1 2020 13 weeks**	
Net revenue	$ 111,389	100.0%	$ 196,699	100.0%
Cost of goods sold	98,328	88.3%	111,138	56.5%
Gross profit	13,061	11.7%	85,561	43.5%
Operating expenses				
Selling, general and administrative	43,511	39.1%	54,429	27.7%
Stock-based compensation expense	979	0.9%	2,374	1.2%
(Loss) Income from operations	(31,429)	(28.2%)	28,758	14.6%
Finance expense	7,390	6.6%	7,227	3.7%
Other income	(1,218)	(1.1%)	(1,279)	(0.7%)
(Loss) Income before income taxes	(37,601)	(33.8%)	22,810	11.6%
Income tax (recovery) expense	(11,130)	(10.0%)	6,654	3.4%
Net (loss) income	$ (26,471)	(23.8%)	$ 16,156	8.2%
Other Performance Measures:				
Year-over-year net revenue growth	(43.4%)		17.8%	
Comparable sales growth[(i)]	n/a		7.9%	
Free cash flow	$ 8,055		$ 16,917	
Capital cash expenditures (excluding proceeds from leasehold inducements)	$ 13,880		$ 10,166	
Number of boutiques, end of period	97		92	
New boutiques added	1		1	
Boutiques expanded or repositioned	-		1	

Note:
i) Please see the "Comparable Sales Growth" section above for more details.

RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME:

(in thousands of Canadian dollars, unless otherwise noted)	**Q1 2021 13 weeks**	**Q1 2020 13 weeks**
Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA:		
Net (loss) income	$ (26,471)	$ 16,156
Depreciation and amortization	25,813	23,198
Finance expense	7,390	7,227
Income tax (recovery) expense	(11,130)	6,654
EBITDA	(4,398)	53,235
Adjustments to EBITDA:		
Stock-based compensation expense	979	2,374
Rent impact from IFRS 16, Leases[i]	(22,609)	(20,230)
Unrealized loss on equity derivative contracts	796	-
Adjusted EBITDA	$ (25,232)	$ 35,379
Adjusted EBITDA as a Percentage of Net Revenue	(22.7%)	18.0%
Reconciliation of Net (Loss) Income to Adjusted Net Income:		
Net (loss) income	$ (26,471)	$ 16,156
Adjustments to net income:		
Stock-based compensation expense	979	2,374
Unrealized loss on equity derivative contracts	796	-
Related tax effects	(176)	(46)
Adjusted Net (Loss) Income	$ (24,872)	$ 18,484
Adjusted Net (Loss) Income as a Percentage of Net Revenue	(22.3%)	9.4%
Weighted Average Number of Diluted Shares Outstanding (thousands)	109,353	111,851
Adjusted Net (Loss) Income per Diluted Share	$ (0.23)	$ 0.17

Note:
i) Rent Impact from IFRS 16, Leases

	Q1 2021 13 weeks	**Q1 2020 13 weeks**
Depreciation and amortization of right-of-use assets	(16,448)	(14,254)
Finance expense, related to leases	(6,161)	(5,976)
Rent impact from IFRS 16, Leases	$ (22,609)	$ (20,230)

RECONCILIATION OF COMPARABLE SALES TO NET REVENUE:

(in thousands of Canadian dollars)	**Q1 2021 13 weeks** *(not applicable)* (ii)	**Q1 2020 13 weeks**
Comparable sales(i)		$ 161,294
Non-comparable sales		35,405
Net revenue		$ 196,699

Note:

i) The comparable sales for a given period represents revenue (net of sales tax, returns and discounts) from boutiques that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts) within that given period. This information is provided to give context for comparable sales in such given period as compared to net revenue reported in our financial statements. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. For more details, please see the “Comparable Sales Growth” subsection of the “How We Assess the Performance of Our Business” section of the Management’s Discussion and Analysis.

ii) Please see the “Comparable Sales Growth” section above for more details.

CONDENSED INTERIM CONSOLIDATED CASH FLOWS:

(in thousands of Canadian dollars)	**Q1 2021 13 weeks**	**Q1 2020 13 weeks**
Net cash generated from operating activities	$ 23,979	$ 40,679
Net cash generated from (used in) financing activities	96,309	(95,999)
Net cash used in investing activities	(13,880)	(10,166)
Effect of exchange rate changes on cash and cash equivalents	155	346
Increase (decrease) in cash and cash equivalents	$ 106,563	$ (65,140)

FREE CASH FLOW:

(in thousands of Canadian dollars)	**Q1 2021 13 weeks**	**Q1 2020 13 weeks**
Net cash generated from operating activities	$ 23,979	$ 40,679
Interest paid	1,295	1,218
Net cash used in investing activities	(13,880)	(10,166)
Repayments of principal on lease liabilities	(3,339)	(14,814)
Free cash flow	$ 8,055	$ 16,917

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:

(in thousands of Canadian dollars)

	As at May 31, 2020	As at March 1, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 224,313	$ 117,750
Accounts receivable	6,159	6,555
Income taxes recoverable	4,188	2,157
Inventory	114,620	94,034
Prepaid expenses and other current assets	29,838	10,880
Total current assets	379,118	231,376
Property and equipment	187,232	184,637
Intangible assets	63,451	63,867
Goodwill	151,682	151,682
Right-of-use assets	384,678	380,360
Other assets	4,248	4,315
Deferred tax assets	19,990	20,478
Total assets	$ 1,190,399	$ 1,036,715
Liabilities		
Current liabilities		
Bank indebtedness	$ 100,000	$ -
Accounts payable and accrued liabilities	116,906	57,715
Income taxes payable	2,865	3,198
Current portion of lease liabilities	84,607	63,440
Deferred revenue	34,779	29,490
Total current liabilities	339,157	153,843
Lease liabilities	451,763	447,087
Other non-current liabilities	9,268	9,451
Deferred tax liabilities	9,686	19,529
Long-term debt	74,768	74,740
Total liabilities	884,642	704,650
Shareholders’ equity		
Share capital	219,441	219,050
Contributed surplus	58,022	57,221
Retained earnings	29,519	56,476
Accumulated other comprehensive loss	(1,225)	(682)
Total shareholders’ equity	306,757	332,065
Total liabilities and shareholders’ equity	$ 1,190,399	$ 1,036,715