Aritzia Reports First Quarter Fiscal 2022 Financial Results

Net revenue increased by 121.7% to $246.9 million
Adjusted EBITDA increased by $66.1 million to $40.9 million from a loss of $(25.2) million LY

VANCOUVER, July 13, 2021 – Aritzia Inc. (TSX: ATZ, "Aritzia" or the "Company"), a vertically integrated, innovative design house offering Everyday Luxury online and in its boutiques, today announced its first quarter financial results for fiscal 2022 ended May 30, 2021.

“We are extremely pleased with the start of fiscal 2022. The strength of our multi-channel business fueled first quarter net revenue growth of 122%, despite half of our Canadian boutiques remaining closed for the majority of the quarter. Driven by strong client response to our beautiful product assortment, our eCommerce revenues continued their positive trend, growing 19% on top of the 125% increase that we saw in the first quarter last year. Retail sales productivity at our open boutiques returned to pre-COVID-19 levels, ramping faster than we anticipated. In the United States, our brand affinity is deepening, where net revenues have more than tripled, growing at 200% from the prior year,” said Brian Hill, Founder, Chief Executive Officer and Chairman.

“We are emerging from the pandemic confident in our ability to consistently deliver profitable growth given the momentum in our business, led by the continued acceleration of sales in the United States and sustained growth in our eCommerce business. We are leveraging our world class operational expertise, infrastructure and strong financial position to expedite investments across our four key strategic growth drivers, as evidenced by our recent accelerated product expansion into men’s with the acquisition of Reigning Champ. I remain deeply grateful for our people’s commitment to delivering our Everyday Luxury experience and our clients’ enduring loyalty to Aritzia," concluded Mr. Hill.

First Quarter Highlights

- **Net revenue** increased 121.7% to $246.9 million from Q1 2021 and 25.5% from Q1 2020 despite the closure of 34 of the Company’s 102 boutiques for approximately two-thirds of the quarter, with the open boutiques in Canada operating under capacity restrictions
- **eCommerce revenue** increased by 18.6% to $104.0 million from Q1 2021 and 167.3% from Q1 2020, comprising 42.1% of net revenues in Q1 2022
- **Retail sales productivity** of open boutiques in the quarter trended, on average, at 99% of pre-COVID-19 levels in Q1 2020 despite capacity restrictions and limited operating hours
- **Gross profit margin**(1) increased to 44.2% from 11.7% in Q1 2021, and 43.5% in Q1 2020
- **Adjusted EBITDA**(1) increased to $40.9 million from $(25.2) million in Q1 2021
- **Adjusted Net Income**(1) of $0.19 per diluted share, compared to $(0.23) per diluted share in Q1 2021

Unless otherwise indicated, this release references comparative figures for Q1 2022 and Q1 2021 results in Canadian dollars. Due to the material impact of COVID-19 on business operations in fiscal 2021, certain references to Q1 2020 have been included where Management deems to be a more meaningful measurement of the Company's performance. 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".

First Quarter Results Compared to Fiscal 2021

(in thousands of Canadian dollars, unless otherwise noted)	Q1 2022 13 weeks		Q1 2021 13 weeks		Variance Q1 2022 to Q1 2021	
					%	*bps*
eCommerce Revenue	$ 103,964	42.1%	$ 87,628	78.7%	18.6%	
Retail Revenue	142,952	57.9%	23,761	21.3%	501.6%	
Net revenue	246,916	100.0%	111,389	100.0%	121.7%	
Gross profit	109,108	44.2%	13,061	11.7%	735.4%	32.5%
SG&A	70,382	28.5%	43,511	39.1%	61.8%	(10.6%)
Adjusted EBITDA(1)	$ 40,902	16.6%	$ (25,232)	(22.7%)	(262.1%)	39.3%
Adjusted net income (loss) per diluted share(1)	$ 0.19		$ (0.23)		(182.6%)	

Net revenue increased by 121.7% to $246.9 million, compared to $111.4 million in Q1 2021. The Company has seen an unprecedented acceleration of sales in the United States, where net revenues increased by 205.3% to C$114.3 million, compared to C$37.4 million in Q1 2021.

- **eCommerce revenue** increased by 18.6% to $104.0 million, compared to $87.6 million in Q1 2021. The Company's eCommerce business continued its momentum, building on the 125.3% increase in Q1 2021 when all of the Company's boutiques were closed.
- **Retail revenue** increased by 501.6% to $143.0 million, compared to $23.8 million in Q1 2021. Retail revenue performance in the quarter continued to be impacted by the closure of 34, or half, of the Company's 68 boutiques in Canada for approximately two-thirds of the quarter. This compares to the closure of all boutiques at the outset of the pandemic on March 16, 2020. During the quarter, the Company opened one new boutique in the United States. Store count at the end of Q1 totaled 102 compared to 97 boutiques at the end of Q1 2021.

Gross profit increased by 735.4% to $109.1 million, compared to $13.1 million in Q1 2021. Gross profit margin was 44.2%, compared to 11.7% in Q1 2021. Compared to Q1 2021, the improvement in gross profit margin was primarily due to leverage on fixed costs, lower markdowns and the strengthening of the Canadian dollar.

Selling, general and administrative ("SG&A") expenses increased by 61.8% to $70.4 million, compared to $43.5 million in Q1 2021. SG&A expenses were 28.5% of net revenue, compared to 39.1% in Q1 2021. Excluding government payroll subsidies in Q1 2021, the increase in SG&A expenses was primarily due to an increase in selling variable costs associated with the reopening of a majority of the Company's boutiques, continued investment in talent and COVID-19 related health and safety measures.

Adjusted EBITDA(1) was $40.9 million, or 16.6% of net revenue, compared to $(25.2) million, or (22.7%) of net revenue in Q1 2021.

Net income (Loss) was $17.9 million, compared to $(26.5) million in Q1 2021.

Adjusted Net Income (Loss)(1) was $21.7 million, compared to $(24.9) million in Q1 2021.

Adjusted Net Income (Loss) per diluted share(1) was $0.19, compared to $(0.23) in Q1 2021.

Cash and cash equivalents at the end of Q1 totaled $157.9 million, compared to $224.3 million at the end of Q1 2021.

Inventory at the end of Q1 was $165.0 million, compared to $114.6 million at the end of Q1 2021, comprised primarily of strategic buys in feature items which continue to drive the business. The intentional increase in inventory to start the Spring/Summer season successfully fueled the Company's revenue growth in the United States and continued growth in its eCommerce business during Q1.

Capital cash expenditures (net of proceeds from leasehold inducements) were $6.5 million, compared to $12.1 million in Q1 2021.

First Quarter Results Compared to Fiscal 2020

(in thousands of Canadian dollars, unless otherwise noted)	**Q1 2022 13 weeks**			**Q1 2020 13 weeks**			**Variance Q1 2022 to Q1 2020**	
							%	*bps*
eCommerce Revenue	$	103,964	42.1%	$	38,898	19.8%	167.3%	
Retail Revenue		142,952	57.9%		157,801	80.2%	(9.4%)	
Net revenue		246,916	100.0%		196,699	100.0%	25.5%	
Gross profit		109,108	44.2%		85,561	43.5%	27.5%	0.7%
SG&A		70,382	28.5%		54,429	27.7%	29.3%	0.8%
Adjusted EBITDA(1)	$	40,902	16.6%	$	35,379	18.0%	15.6%	(1.4%)
Adjusted net income per diluted share(1)	$	0.19		$	0.17		11.8%	

Net revenue increased by 25.5% to $246.9 million, compared to $196.7 million in Q1 2020. The Company has seen an unprecedented acceleration of sales in the United States, where net revenues increased by 51.4% to C$114.3 million, compared to C$75.4 million in Q1 2020.

- **eCommerce revenue** increased by 167.3% to $104.0 million, compared to $38.9 million in Q1 2020. eCommerce revenue comprised 42.1% of net revenues in Q1, compared to 19.8% in Q1 2020.
- **Retail revenue** decreased only 9.4% to $143.0 million, compared to $157.8 million in Q1 2020. Retail revenue performance in the quarter continued to be impacted by the closure of 34, or half, of the Company's 68 boutiques in Canada for approximately two-thirds of the quarter. Sales productivity of open boutiques in the quarter trended, on average, at 99% of pre-COVID 19 levels in Q1 2020 despite severe occupancy restrictions and limited operating hours.

Gross profit increased by 27.5% to $109.1 million, compared to $85.6 million in Q1 2020. Gross profit margin was 44.2%, compared to 43.5% in Q1 2020. Compared to Q1 2020, the improvement in gross profit margin was primarily due to the strengthening of the Canadian dollar, leverage on occupancy costs and lower markdowns, partially offset by higher warehousing and distribution centre costs driven by the growth in the Company's eCommerce business.

Selling, general and administrative ("SG&A") expenses increased by 29.3% to $70.4 million, compared to $54.4 million in Q1 2020. SG&A expenses were 28.5% of net revenue, compared to 27.7% in Q1 2020. The increase in SG&A expenses was primarily due to continued investment in talent and COVID-19 related health and safety measures.

Adjusted EBITDA(1) was $40.9 million, or 16.6% of net revenue, compared to $35.4 million, or 18.0% of net revenue in Q1 2020.

(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 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.

Completion of Secondary Offering

On May 13, 2021, the Company announced the Secondary Offering on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and or controlled directly or indirectly by Brian Hill, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate voting share and was completed on June 1, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the 13-week period ended May 30, 2021, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Following the Offering, Brian Hill remains the Company's largest shareholder with an approximately 20% equity interest. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the Secondary Offering of approximately $0.5 million are being paid by the Company.

Closed Acquisition of Reigning Champ

On June 25, 2021, the Company successfully completed its acquisition of Reigning Champ, a leading designer and manufacturer of premium athletic wear. The Company acquired 75% of the company based on a total enterprise value of approximately $63 million, with the remaining 25% equity interest held by Reigning Champ's management shareholders to be converted into the Company's shares in up to three instalments from 2024 to 2026. The Company funded the $32.7 million initial payment of the purchase price with cash on hand.

The acquisition meaningfully accelerates the Company's product expansion into men's while bringing incremental growth to the Company's already surging women's eCommerce and U.S. businesses. Capitalizing on the Company's world-class operational expertise and infrastructure, men's, merchandised independently, will become a meaningful part of the Company's platform through the Reigning Champ acquisition.

Refinanced Credit Facility

On July 13, 2021, the Company refinanced its credit facility extending the term for another four years to fiscal 2026. As part of the refinancing, the Company repaid its term loan of $75.0 million and increased its existing revolving credit facility from $100.0 million to $175.0 million, with no amounts drawn at this time.

Outlook

Consistent with our communication throughout the pandemic, the Company is providing an update for the second quarter and its fiscal 2022 outlook.

Second quarter net revenues are anticipated to be in the range of $290 million to $300 million, implying an increase of 45% to 50% compared to last year. This reflects a continuation of unprecedented acceleration of sales in the United States in both its retail and eCommerce channels, as well as, continued momentum of the Company's eCommerce business in Canada. The revenue target for the second quarter reflects the reopening of all of its boutiques, effective July 12, 2021.

While Aritzia continues to be affected by industry-wide supply chain disruptions, the Company has been successful to-date in minimizing the impacts through strategic inventory management and the use air freight.

Taking into consideration its strong revenue performance to-date, Aritzia has revised its net revenue outlook. The Company currently expects the following for fiscal 2022:

- Net revenue in the range of $1.15 billion to $1.20 billion, up from the Company's guidance of $1.11 billion to $1.16 billion previously, implying an increase of 35% to 40% from fiscal 2021. The anticipated increase is led by continued growth in the Company's eCommerce business, the ongoing recovery in retail performance, as well as contribution from its retail expansion with:

- Six to eight new boutiques in the United States, including Woodbury Commons in New York which opened in the first quarter, Topanga in Canoga which opened in the second quarter-to-date, and The Grove in Los Angeles, which is slated to open in the second quarter; and
- Six boutique expansions or repositions, including four locations in Canada and two in the United States.

- Gross profit margin to be relatively flat compared to pre-COVID-19 levels in fiscal 2020, reflecting leverage on fixed costs and the strengthening Canadian dollar, offset by higher warehousing and distribution centre costs, continued investment in talent to drive the Company's product expansion strategy and the impact of higher costs relating to air freight;
- SG&A as a percent of net revenue to increase relative to pre-COVID-19 levels in fiscal 2020 as accelerated investments in people, processes and technology more than offset the leverage on fixed costs. In addition, the Company expects to incur ongoing operating expenses related to COVID-19 of approximately $9 million, weighted to the first half of the year;
- Net capital expenditures in the range of $55 million to $60 million, comprised of:
  - Boutique network growth, and
  - Ongoing investments in technology and infrastructure to enhance the Company's eCommerce capabilities and omni-channel experience, including capacity expansion at its distribution centre in the Greater Vancouver area.

In addition to Aritzia's outlook above, Reigning Champ is expected to deliver approximately $25 million in net revenue and $5 million in Adjusted EBITDA(1) in calendar 2021. Following the close of the transaction on June 25, 2021, Aritzia will fully consolidate Reigning Champ's financial results commencing in the second quarter, including a 25% non-controlling interest. Aritzia's Adjusted EBITDA(1) will reflect its 75% share of ownership in Reigning Champ.

Conference Call Details

A conference call to discuss the Company's first quarter results is scheduled for Tuesday, July 13, 2021, at 1:30 p.m. PT / 4:30 p.m. ET. To participate, 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 recording will be available shortly after the conclusion of the call. To access the replay, please dial 1-855-669-9658 and the access code 7156. An archive of the webcast will be available on Aritzia's website.

About Aritzia

Aritzia is a vertically integrated design house with an innovative global platform. We are creators and purveyors of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. We're about good design, quality materials and timeless style — all with the wellbeing of our people and planet in mind.

Founded in 1984, in Vancouver, Canada, we pride ourselves on creating immersive, and highly personal shopping experiences at aritzia.com and in our 100+ boutiques throughout North America to everyone, everywhere.

Everyday Luxury. To elevate your world.™

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 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 reported figures on 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 and anticipated events or results and include, our ability to sustain momentum in our eCommerce business, the impact of health and safety measures including capacity restrictions and mandated closures on retail performance and labour and operating expenses, our ability to drive eCommerce and Omni innovation, geographic expansion, product expansion, and brand awareness and customer expansion, our ability to weather further uncertainty, achieve meaningful growth and take advantage of opportunities, our ability to invest in critical infrastructure across our people, processes and technology, our ability to meaningfully accelerate the Company’s product expansion into men’s while bringing incremental growth to the Company’s women’s eCommerce and U.S. businesses, our outlook for: (i) net revenue in the second quarter of fiscal 2022, (ii) net revenue in fiscal 2022, (iii) gross profit margin in fiscal 2022, (iv) SG&A as a percent of net revenue in fiscal 2022, (v) net capital expenditure in fiscal 2022, (vi) new boutiques and expansion or repositioning of existing boutiques in fiscal 2022 and (vii) Reigning Champ’s revenue and adjusted EBITDA contribution in calendar 2021. 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.

Implicit in forward-looking statements in respect of the Company's expectations for: (i) net revenue in the range of $290 million to $300 million for the second quarter, implying an increase of 45% to 50% compared to last year, (ii) net revenue in the range of $1.15 billion to $1.20 billion in fiscal 2022, implying an increase of 35% to 40% from fiscal 2021, (iii) Gross profit margin to be relatively flat compared to pre-COVID-19 levels in fiscal 2020, (iv) SG&A as a percent of net revenue to increase relative to pre-COVID-19 levels in fiscal 2020 (v) net capital expenditures in the range of $55 million to $60 million and (vi) Reigning Champ’s revenue and adjusted EBITDA contribution in calendar 2021, are certain current assumptions including the continued acceleration of sales in the United States both in retail and eCommerce channels as well as continued momentum of the Company’s eCommerce business in Canada. The Company’s forward-looking information is also based upon assumptions regarding the overall retail environment, the COVID-19 pandemic and related health and safety protocols and currency exchange rates for fiscal 2022. Specifically, we have assumed the following exchange rates for fiscal 2022: USD:CAD = 1:1.25.

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) general economic conditions related to COVID-19 and impacts to consumer discretionary spending and shopping habits; (e) credit, market, currency, interest rates, operational, and liquidity risks generally; and (f) 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 11, 2021 for the fiscal year ended February 28, 2021 (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.

For more information

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Selected Consolidated Financial Information

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, unless otherwise noted)		Q1 2022 13 weeks			Q1 2021 13 weeks			Q1 2020 13 weeks	
Net revenue	$	246,916	100.0%	$	111,389	100.0%	$	196,699	100.0%
Cost of goods sold		137,808	55.8%		98,328	88.3%		111,138	56.5%
Gross profit		109,108	44.2%		13,061	11.7%		85,561	43.5%
Operating expenses									
Selling, general and administrative		70,382	28.5%		43,511	39.1%		54,429	27.7%
Stock-based compensation expense		3,035	1.2%		979	0.9%		2,374	1.2%
Income (loss) from operations		35,691	14.5%		(31,429)	(28.2%)		28,758	14.6%
Finance expense		6,434	2.6%		7,390	6.6%		7,227	3.7%
Other expense (income)		3,856	1.6%		(1,218)	(1.1%)		(1,279)	(0.7%)
Income (loss) before income taxes		25,401	10.3%		(37,601)	(33.8%)		22,810	11.6%
Income tax expense (recovery)		7,498	3.0%		(11,130)	(10.0%)		6,654	3.4%
Net income (loss)	$	17,903	7.3%	$	(26,471)	(23.8%)	$	16,156	8.2%
Other Performance Measures:									
Year-over-year net revenue growth (decline)		121.7%			(43.4%)			17.8%	
Comparable sales growth[(i)]		n/a			n/a			7.9%	
Capital cash expenditures (net of proceeds from leasehold inducements)	$	6,522		$	12,145		$	8,901	
Free cash flow	$	11,933		$	8,055		$	16,917	
Number of boutiques, end of period		102			97			92	

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

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME (LOSS)

(in thousands of Canadian dollars, unless otherwise noted)

	Q1 2022 13 weeks	Q1 2021 13 weeks	Q1 2020 13 weeks
Reconciliation of Net Income to EBITDA and Adjusted EBITDA:			
Net income (loss)	$ 17,903	$ (26,471)	$ 16,156
Depreciation and amortization	26,759	25,813	23,198
Finance expense	6,434	7,390	7,227
Income tax expense	7,498	(11,130)	6,654
EBITDA	58,594	(4,398)	53,235
Adjustments to EBITDA:			
Stock-based compensation expense	3,035	979	2,374
Rent impact from IFRS 16, Leases[i]	(21,945)	(22,609)	(20,230)
Unrealized loss on equity derivative contracts	106	796	-
Acquisition costs of Reigning Champ	662	-	-
Secondary Offering transaction costs	450	-	-
Adjusted EBITDA	$ 40,902	$ (25,232)	$ 35,379
Adjusted EBITDA as a Percentage of Net Revenue	16.6%	(22.7%)	18.0%
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss):			
Net income (loss)	$ 17,903	$ (26,471)	$ 16,156
Adjustments to net income (loss):			
Stock-based compensation expense	3,035	979	2,374
Unrealized loss on equity derivative contracts	106	796	-
Acquisition costs of Reigning Champ	662	-	-
Secondary Offering transaction costs	450	-	-
Related tax effects	(505)	(176)	(46)
Adjusted Net Income (Loss)	$ 21,651	$ (24,872)	$ 18,484
Adjusted Net Income (Loss) as a Percentage of Net Revenue	8.8%	(22.3%)	9.4%
Weighted Average Number of Diluted Shares Outstanding (thousands)	114,711	109,353	111,851
Adjusted Net Income (Loss) per Diluted Share	$ 0.19	$ (0.23)	$ 0.17

Note:

i) Rent Impact from IFRS 16, Leases

	Q1 2022 13 weeks	Q1 2021 13 weeks	Q1 2020 13 weeks
Depreciation and amortization of right-of-use assets	$ (16,318)	$ (16,448)	$ (14,254)
Finance expense, related to leases	(5,627)	(6,161)	(5,976)
Rent impact from IFRS 16, Leases	$ (21,945)	$ (22,609)	$ (20,230)

CONDENSED INTERIM CONSOLIDATED CASH FLOWS

(in thousands of Canadian dollars)

	Q1 2022 13 weeks	Q1 2021 13 weeks	Q1 2020 13 weeks
Cash Flows:			
Net cash generated from operating activities	$ 29,655	$ 23,979	$ 40,679
Net cash (used in) generated from financing activities	(7,569)	96,309	(95,999)
Net cash used in investing activities	(10,405)	(13,880)	(10,166)
Effect of exchange rate changes on cash and cash equivalents	(2,950)	155	346
Increase in cash and cash equivalents	$ 8,731	$ 106,563	$ (65,140)

FREE CASH FLOW

(in thousands of Canadian dollars)	Q1 2022 13 weeks	Q1 2021 13 weeks	Q1 2020 13 weeks
Net cash generated from operating activities	$ 29,655	$ 23,979	$ 40,679
Interest paid	775	1,295	1,218
Net cash used in investing activities	(10,405)	(13,880)	(10,166)
Repayments of principal on lease liabilities	(8,092)	(3,339)	(14,814)
Free cash flow	$ 11,933	$ 8,055	$ 16,917

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	As at May 30, 2021	As at February 28, 2021	As at May 31, 2020
Assets			
Cash and cash equivalents	$ 157,878	$ 149,147	$ 224,313
Accounts receivable	5,454	6,202	6,159
Income taxes recoverable	2,899	4,719	4,188
Inventory	165,030	171,821	114,620
Prepaid expenses and other current assets	25,239	23,452	29,838
Total current assets	356,500	355,341	379,118
Property and equipment	187,790	189,568	187,232
Intangible assets	61,159	62,049	63,451
Goodwill	151,682	151,682	151,682
Right-of-use assets	359,140	363,417	384,678
Other assets	2,648	2,886	4,248
Deferred tax assets	15,887	15,794	19,990
Total assets	$ 1,134,806	$ 1,140,737	$ 1,190,399
Liabilities			
Bank indebtedness	$ -	$ -	$ 100,000
Accounts payable and accrued liabilities	109,539	131,893	116,906
Income taxes payable	2,651	8,287	2,865
Current portion of long-term debt	74,884	-	-
Current portion of lease liabilities	80,456	71,452	84,607
Deferred revenue	35,468	37,563	34,779
Total current liabilities	302,998	249,195	339,157
Lease liabilities	417,664	423,380	451,763
Other non-current liabilities	14,455	15,059	9,268
Deferred tax liabilities	19,193	17,985	9,686
Long-term debt	-	74,855	74,768
Total liabilities	754,310	780,474	884,642
Shareholders' equity			
Share capital	230,691	228,665	219,441
Contributed surplus	57,006	56,606	58,022
Retained earnings	93,119	75,216	29,519
Accumulated other comprehensive loss	(320)	(224)	(1,225)
Total shareholders' equity	380,496	360,263	306,757
Total liabilities and shareholders' equity	$ 1,134,806	$ 1,140,737	$ 1,190,399

BOUTIQUE COUNT SUMMARY

The following table summarizes the change in our boutique count for the periods indicated.

	Q1 2022 13 weeks	Q1 2021 13 weeks	Fiscal 2021 52 weeks	Fiscal 2020 52 weeks
Number of boutiques, beginning of period	101	96	96	91
New boutiques	1	1	7	5
Repositioned to flagship boutique	-	-	(1)	-
Boutique temporarily closed due to mall redevelopment	-	-	(1)	-
Number of boutiques, end of period	102	97	101	96
Boutiques expanded or repositioned	-	-	3	3