

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of August, 2019**

**Commission File Number: 001-38027**

**CANADA GOOSE HOLDINGS INC.**

(Translation of registrant's name into English)

**250 Bowie Ave**

**Toronto, Ontario, Canada**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F x Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

## EXHIBIT INDEX

Exhibits 99.1 and 99.2 to this report of a Foreign Private Issuer on Form 6-K are deemed filed for all purposes under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

| <b>Exhibit<br/>No.</b> | <b>Description</b>   |
|------------------------|--|
| 99.1                   | <a href="#"><u>Consolidated Interim Financial Statements for the First Quarter Ended June 2019</u></a>   |
| 99.2                   | <a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter Ended June 2019</u></a> |
| 99.3                   | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</u></a>   |
| 99.4                   | <a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</u></a>   |
| 99.5                   | <a href="#"><u>Press release of Canada Goose Holdings Inc., dated August 14, 2019</u></a>  |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **Canada Goose Holdings Inc.**

By: /s/ Jonathan Sinclair  
Name: Jonathan Sinclair  
Title: Executive Vice President and Chief Financial Officer

Date: August 14, 2019

# **Canada Goose Holdings Inc.**

Condensed Consolidated Interim Financial Statements

As at and for the first quarter ended

June 2019 and 2018

(Unaudited)

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(unaudited)**

**For the first quarter ended June**

(in millions of Canadian dollars, except per share amounts)

|   | Notes    | 2019      | 2018      |
|---|----------|-----------|-----------|
|   |          | \$        | \$        |
| Revenue   | 4        | 71.1      | 44.7      |
| Cost of sales   | 8        | 30.2      | 16.1      |
| <b>Gross profit</b>   |          | 40.9      | 28.6      |
| Selling, general and administrative expenses                        |          | 57.5      | 45.1      |
| Depreciation and amortization                                       | 6, 9, 10 | 10.9      | 3.4       |
| <b>Operating loss</b>   |          | (27.5)    | (19.9)    |
| Net interest and other finance costs                                | 13       | 12.2      | 3.1       |
| <b>Loss before income taxes</b>                                     |          | (39.7)    | (23.0)    |
| Income tax recovery   |          | (10.3)    | (4.3)     |
| <b>Net loss</b>   |          | (29.4)    | (18.7)    |
| <b>Other comprehensive income (loss)</b>                            |          |           |           |
| Items that may be reclassified to earnings, net of tax:             |          |           |           |
| Cumulative translation adjustment                                   |          | (0.8)     | (1.0)     |
| Net gain (loss) on derivatives designated as cash flow hedges       |          | 3.8       | (2.1)     |
| Reclassification of net loss on cash flow hedges to income          |          | 1.0       | 1.3       |
| Net (loss) gain on derivatives designated as a net investment hedge |          | (0.1)     | 1.5       |
| Other comprehensive income (loss)                                   |          | 3.9       | (0.3)     |
| <b>Comprehensive loss</b>   |          | (25.5)    | (19.0)    |
| <b>Loss per share</b>   | 5        |           |           |
| Basic and diluted   |          | \$ (0.27) | \$ (0.17) |

*The accompanying notes to the condensed consolidated interim financial statements are an integral part of these financial statements.*

**Condensed Consolidated Interim Statements of Financial Position**
**(unaudited)**
**As at June 30, 2019 and 2018 and March 31, 2019**

(in millions of Canadian dollars)

|   | Notes  | June 30<br>2019 | June 30<br>2018 | March 31<br>2019 |
|---|--------|-----------------|-----------------|------------------|
|   |        | \$              | \$              | \$               |
| <b>Assets</b>                                     |        |                 |                 |                  |
| <b>Current assets</b>                             |        |                 |                 |                  |
| Cash  | 19     | 25.0            | 14.6            | 88.6             |
| Trade receivables                                 | 7      | 31.3            | 12.4            | 20.4             |
| Inventories                                       | 8      | 366.1           | 239.5           | 267.3            |
| Income taxes receivable                           |        | 9.4             | 8.0             | 4.0              |
| Other current assets                              | 17     | 40.3            | 32.4            | 32.9             |
| <b>Total current assets</b>                       |        | <b>472.1</b>    | <b>306.9</b>    | <b>413.2</b>     |
| Deferred income taxes                             |        | 27.9            | 10.5            | 12.2             |
| Right-of-use assets                               | 3, 6   | 198.5           | —               | —                |
| Property, plant and equipment                     | 9      | 87.4            | 64.2            | 84.3             |
| Intangible assets                                 | 10     | 153.9           | 140.1           | 155.6            |
| Other long-term assets                            | 17     | 2.8             | 4.5             | 7.0              |
| Goodwill  |        | 53.1            | 45.3            | 53.1             |
| <b>Total assets</b>                               |        | <b>995.7</b>    | <b>571.5</b>    | <b>725.4</b>     |
| <b>Liabilities</b>                                |        |                 |                 |                  |
| <b>Current liabilities</b>                        |        |                 |                 |                  |
| Accounts payable and accrued liabilities          | 11, 17 | 100.0           | 90.0            | 110.4            |
| Provisions  | 12     | 5.9             | 4.3             | 8.1              |
| Income taxes payable                              |        | 5.6             | 0.3             | 18.1             |
| Lease liabilities                                 | 3, 6   | 28.1            | —               | —                |
| <b>Total current liabilities</b>                  |        | <b>139.6</b>    | <b>94.6</b>     | <b>136.6</b>     |
| Provisions  | 12     | 14.4            | 10.5            | 14.7             |
| Deferred income taxes                             |        | 14.9            | 12.5            | 16.7             |
| Revolving facility                                | 13     | 159.6           | 76.9            | —                |
| Term loan   | 13     | 147.6           | 140.4           | 145.2            |
| Lease liabilities                                 | 3, 6   | 180.6           | —               | —                |
| Other long-term liabilities                       | 17     | 6.8             | 10.8            | 13.1             |
| <b>Total liabilities</b>                          |        | <b>663.5</b>    | <b>345.7</b>    | <b>326.3</b>     |
| <b>Shareholders' equity</b>                       | 14     | <b>332.2</b>    | <b>225.8</b>    | <b>399.1</b>     |
| <b>Total liabilities and shareholders' equity</b> |        | <b>995.7</b>    | <b>571.5</b>    | <b>725.4</b>     |

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

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(unaudited)

For the first quarter ended June 2019 and 2018

(in millions of Canadian dollars)

|  | Notes | Common Shares                |                                 |              | Contributed<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total        |
|--|-------|------------------------------|---------------------------------|--------------|------------------------|----------------------|--|--------------|
|  |       | Multiple<br>voting<br>shares | Subordinate<br>voting<br>shares | Total        |                        |                      |  |              |
|  |       | \$                           | \$                              | \$           |                        |                      |  |              |
| <b>Balance as at March 31, 2019</b>                            |       | 1.4                          | 111.2                           | 112.6        | 9.2                    | 279.7                | (2.4)  | 399.1        |
| IFRS 16 initial application                                    | 3     | —                            | —                               | —            | —                      | (4.9)                | —  | (4.9)        |
| Normal course issuer bid purchase of subordinate voting shares | 14    | —                            | (1.6)                           | (1.6)        | —                      | (37.1)               | —  | (38.7)       |
| Exercise of stock options                                      | 14    | —                            | 0.7                             | 0.7          | (0.4)                  | —                    | —  | 0.3          |
| Net loss   |       | —                            | —                               | —            | —                      | (29.4)               | —  | (29.4)       |
| Other comprehensive income                                     |       | —                            | —                               | —            | —                      | —                    | 3.9  | 3.9          |
| Recognition of share-based compensation                        | 15    | —                            | —                               | —            | 1.9                    | —                    | —  | 1.9          |
| <b>Balance as at June 30, 2019</b>                             |       | <b>1.4</b>                   | <b>110.3</b>                    | <b>111.7</b> | <b>10.7</b>            | <b>208.3</b>         | <b>1.5</b>   | <b>332.2</b> |
| <b>Balance as at March 31, 2018</b>                            |       | 1.9                          | 104.2                           | 106.1        | 4.5                    | 136.1                | (3.1)  | 243.6        |
| Convert multiple voting shares to subordinate voting shares    | 14    | (0.3)                        | 0.3                             | —            | —                      | —                    | —  | —            |
| Exercise of stock options                                      | 14    | —                            | 1.4                             | 1.4          | (0.6)                  | —                    | —  | 0.8          |
| Net loss   |       | —                            | —                               | —            | —                      | (18.7)               | —  | (18.7)       |
| Other comprehensive loss                                       |       | —                            | —                               | —            | —                      | —                    | (0.3)  | (0.3)        |
| Recognition of share-based compensation                        | 15    | —                            | —                               | —            | 0.4                    | —                    | —  | 0.4          |
| <b>Balance as at June 30, 2018</b>                             |       | <b>1.6</b>                   | <b>105.9</b>                    | <b>107.5</b> | <b>4.3</b>             | <b>117.4</b>         | <b>(3.4)</b>   | <b>225.8</b> |

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

**Condensed Consolidated Interim Statements of Cash Flows**  
**(unaudited)**  
**For the first quarter ended June**  
(in millions of Canadian dollars)

|   | Notes    | 2019           | 2018           |
|---|----------|----------------|----------------|
|   |          | \$             | \$             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |          |                |                |
| Net loss  |          | (29.4)         | (18.7)         |
| Items not affecting cash:                                 |          |                |                |
| Depreciation and amortization                             | 6, 9, 10 | 13.3           | 4.4            |
| Income tax recovery                                       |          | (10.3)         | (4.3)          |
| Interest expense  |          | 5.0            | 3.0            |
| Foreign exchange gain                                     |          | (4.4)          | (1.2)          |
| Acceleration of unamortized costs on debt extinguishment  | 13       | 7.0            | —              |
| Loss on disposal of assets                                |          | 0.2            | —              |
| Share-based compensation                                  | 15       | 1.9            | 0.4            |
|   |          | (16.7)         | (16.4)         |
| Changes in non-cash operating items                       | 19       | (133.7)        | (111.6)        |
| Income taxes paid   |          | (24.6)         | (24.3)         |
| Interest paid   |          | (4.4)          | (2.2)          |
| Rent paid   | 6        | (0.9)          | —              |
| <b>Net cash used in operating activities</b>              |          | <b>(180.3)</b> | <b>(154.5)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |          |                |                |
| Purchase of property, plant and equipment                 | 9        | (1.3)          | (2.1)          |
| Investment in intangible assets                           | 10       | (3.9)          | (2.8)          |
| <b>Net cash used in investing activities</b>              |          | <b>(5.2)</b>   | <b>(4.9)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |          |                |                |
| Borrowings on revolving facility                          | 13       | 162.3          | 78.5           |
| Transaction costs on financing activities                 | 13       | (2.0)          | —              |
| Subordinate voting shares purchased for cancellation      | 14       | (38.7)         | —              |
| Principal paid on lease liabilities                       | 6        | (5.0)          | —              |
| Settlement of term loan derivative contracts              | 17       | 4.6            | —              |
| Exercise of stock options                                 | 15       | 0.3            | 0.8            |
| <b>Net cash from financing activities</b>                 |          | <b>121.5</b>   | <b>79.3</b>    |
| Effects of foreign currency exchange rate changes on cash |          | 0.4            | (0.6)          |
| Decrease in cash  |          | (63.6)         | (80.7)         |
| <b>Cash, beginning of period</b>                          |          | <b>88.6</b>    | <b>95.3</b>    |
| <b>Cash, end of period</b>                                |          | <b>25.0</b>    | <b>14.6</b>    |

*The accompanying notes to the condensed consolidated interim financial statements are an integral part of these financial statements.*



# Notes to the Condensed Consolidated Interim Financial Statements

## (unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

### Note 1. The Company

#### *Organization*

Canada Goose Holdings Inc. and its subsidiaries (the "Company") design, manufacture, and sell premium outdoor apparel for men, women, youth, children, and babies. The Company's apparel collections include various styles of parkas, jackets, shells, vests, knitwear, footwear, and accessories for the fall, winter, and spring seasons. The Company's head office is located at 250 Bowie Avenue, Toronto, Canada M6E 4Y2. The use of the terms "Canada Goose", "we", "us" and "our" throughout these notes to the condensed consolidated interim financial statements ("Interim Financial Statements") refer to the Company.

Canada Goose is a public company listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "GOOS". The principal shareholders of the Company are investment funds advised by Bain Capital LP and its affiliates ("Bain Capital"), and DTR LLC, DTR (CG) Limited Partnership, and DTR (CG) II Limited Partnership (collectively "DTR"), entities indirectly controlled by the President and Chief Executive Officer of the Company. The principal shareholders hold multiple voting shares representing 46.6% of the total shares outstanding as at June 30, 2019, or 89.7% of the combined voting power of the total voting shares outstanding. Subordinate voting shares that trade on public markets represent 53.4% of the total shares outstanding as at June 30, 2019, or 10.3% of the combined voting power of the total voting shares outstanding.

#### *Change in fiscal period*

Effective April 1, 2019, the Company changed its fiscal year from a calendar basis of twelve months ended March 31 to a 52 or 53-week reporting cycle with the fiscal year ending on the Sunday closest to March 31. Each fiscal quarter is 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter. The Company's first 53-week fiscal year will occur in 2022. The 2020 fiscal year comprises four fiscal quarters ending on June 30, 2019, September 29, 2019, December 29, 2019 and March 29, 2020. The Company has not adjusted financial results for quarters prior to fiscal 2020. In these interim financial statements, the term "first quarter ended June" refers, in 2019, to the 13 week period ended June 30, 2019 (91 days), and in 2018, to the three months ended June 30, 2018 (91 days).

#### *Operating Segments*

The Company classifies its business in two operating and reportable segments: Direct-to-Consumer and Wholesale. The Direct-to-Consumer business comprises sales through country-specific e-commerce platforms and its Company-owned retail stores located in luxury shopping locations.

The Wholesale business comprises sales made to a mix of functional and fashionable retailers, including major luxury department stores, outdoor specialty stores, individual shops, and to international distributors.

Financial information for the two reportable operating segments is included in note 4.

#### *Seasonality*

We experience seasonal fluctuations in our revenue and operating results and historically have realized a significant portion of our Direct-to-Consumer revenue and operating income in our third and fourth fiscal quarters and wholesale revenue and operating income for the year during our

## Notes to the Condensed Consolidated Interim Financial Statements

(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

second and third fiscal quarters. Thus, lower-than-expected net revenue in these periods could have an adverse impact on our annual operating results.

Working capital requirements typically increase during the first and second quarters of the fiscal year as inventory builds to support peak shipping and selling periods and typically decrease during the third and fourth quarters of the fiscal year as inventory is sold and trade receivables are converted to cash. After retail stores are opened, operating costs in our Direct-to-Consumer channel are consistent over the year while revenue and related cash collections fluctuate. Borrowings on our revolving facility have historically increased in the first and second quarters and are repaid in the third quarter of the fiscal year. Cash flows from operating activities are typically highest in the third and fourth quarters of the fiscal year due to the timing of collection of revenue in the Direct-to-Consumer channel and wholesale trade receivables during that period and increased cash inflows from the peak selling season.

### Note 2. Significant accounting policies

#### *Statement of compliance*

The Interim Financial Statements are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Certain information, which is considered material to the understanding of the Company's Interim Financial Statements and is normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), is provided in these notes. These Interim Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2019. These Interim Financial Statements and the accompanying notes have been prepared using the accounting policies described in note 2 to the annual consolidated financial statements, except as noted below.

The Interim Financial Statements were authorized for issuance in accordance with a resolution of the Company's Board of Directors on August 13, 2019.

#### *Basis of presentation*

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's March 31, 2019 annual consolidated financial statements have been applied consistently in the preparation of these Interim Financial Statements, except for the adoption of IFRS 16, *Leases* ("IFRS 16") effective April 1, 2019, as noted below. The Company elected the modified retrospective approach on adoption of the standard, and has not restated prior periods. The Interim Financial Statements are presented in Canadian dollars, the Company's functional and presentation currency.

#### *Change in functional currency of subsidiary*

Each entity within the Company determines its functional currency based on the primary economic environment in which the entity operates. Once an entity's functional currency is determined, it is not changed unless there is a change to the underlying transactions, events and conditions that determine the entity's primary economic environment.

Up until March 31, 2019, the functional currency of Canada Goose US, Inc., the operating subsidiary in the United States, was determined to be Canadian dollars because its wholesale operations were carried out as an extension of the business of the Canadian parent and were therefore integrated with the Canadian operations.

## Notes to the Condensed Consolidated Interim Financial Statements

### (unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

The US subsidiary is responsible for all of the Company's Direct-to-Consumer and Wholesale operations in the United States, which now include substantial retail operations, assets and related lease financing. The Company reassessed the functional currency of the US subsidiary in light of the change in circumstances and determined that is no longer an integral foreign operation and that the primary economic environment in which it operates is the United States; as a result, the functional currency of the US subsidiary has been changed from Canadian dollars to US dollars, effective April 1, 2019. The change has been made on a prospective basis.

#### *Principles of consolidation*

The Interim Financial Statements include the accounts and results of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

#### *Standards issued and adopted*

### **Leases**

In January 2016, the IASB issued IFRS 16, replacing IAS 17, *Leases* and related interpretations. The standard provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a corresponding liability to be recorded. The new standard seeks to provide a more complete picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. The standard permits the application of various transition options and practical expedients on initial adoption, and the more significant choices are described in note 3, including the impact on adoption of the standard.

#### *Standards issued and not yet adopted*

The IASB has not issued any significant new standards, amendments, and interpretations to existing IFRS standards that are expected to impact the Company since the standards described in the most recent annual financial statements for the year ended March 31, 2019. The Company continues to monitor future IFRS changes proposed by the IASB that may have an impact on the results of the Company.

### **Note 3. Changes in accounting policies**

The Company adopted IFRS 16, *Leases* on April 1, 2019 using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings and no restatement of prior period financial information. Under the modified retrospective approach, the Company measured the right-of-use asset at the carrying value as if the standard had been applied since the commencement date of the lease (typically the possession date), but using the discount rate at the date of initial application.

The Company determined the discount rate at the time of initial adoption to be its incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located.

Substantially all of the Company's leases are real estate leases for retail stores, manufacturing facilities and corporate offices. The Company recognized right-of-use assets and lease liabilities for its leases except as permitted by recognition exemptions in the standard for short-term leases with terms of twelve months or less and leases of low-value assets. The depreciation expense on

## Notes to the Condensed Consolidated Interim Financial Statements

(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the lease term.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has applied a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has excluded initial direct costs in the measurement of the right-of-use asset on initial application except to the extent that costs, such as lease rights, were recognized under the previous standard;
- the Company has accounted for leases with a remaining term of less than twelve months as at March 31, 2019 as short term leases; and
- the Company has used hindsight in determining the lease term where the lease contain options to extend or terminate the lease.

On the date of initial application, the impact of adopting IFRS 16 on the Company's consolidated balance sheet as at April 1, 2019 was as follows:

### Condensed Financial Position Information

Increase (decrease)

|                             | As previously<br>reported, March<br>31, 2019 | IFRS 16 initial<br>application | Reclassification of<br>initial direct costs | Income tax | Balance as at<br>April 1, 2019 -<br>IFRS 16 |
|-----------------------------|--|--------------------------------|---|------------|---|
|                             | \$   | \$                             | \$  | \$         | \$  |
| <b>Assets</b>               |  |                                |   |            |   |
| <b>Current assets</b>       |  |                                |   |            |   |
| Other current assets        | 32.9   | (0.9)                          | —   | —          | 32.0  |
| Deferred income taxes       | 12.2   | —                              | —   | 1.2        | 13.4  |
| Right-of-use assets         | —  | 136.6                          | 5.5   | —          | 142.1                                       |
| Intangible assets           | 155.6  | —                              | (5.5)                                       | —          | 150.1                                       |
| <b>Liabilities</b>          |  |                                |   |            |   |
| <b>Current liabilities</b>  |  |                                |   |            |   |
| Lease liabilities           | —  | 19.2                           | —   | —          | 19.2  |
| Deferred income taxes       | 16.7   | —                              | —   | (0.5)      | 16.2  |
| Lease liabilities           | —  | 131.6                          | —   | —          | 131.6                                       |
| Other long-term liabilities | 13.1   | (8.5)                          | —   | —          | 4.6   |
| <b>Shareholders' equity</b> |  |                                |   |            |   |
| Retained earnings           | 279.7  | (6.6)                          | —   | 1.7        | 274.8                                       |

The Company applied the requirements of IAS 36, *Impairment of assets* as at April 1, 2019 on the right-of-use assets and concluded there was no impairment.

## Notes to the Condensed Consolidated Interim Financial Statements

(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

The Company used its incremental borrowing rates as at April 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate was 4.28%. The weighted average lease term remaining as at April 1, 2019 is approximately 8 years.

The following table reconciles the lease liabilities recognized on April 1, 2019 and the operating lease commitments disclosed under IAS 17 as at March 31, 2019 discounted using the incremental borrowing rate as at the date of initial application:

|   |                     |
|---|---------------------|
|   | \$                  |
| <b>Operating lease commitment as at March 31, 2019</b>  | 253.4               |
| Operating leases  | (3.1)               |
| Leases committed not yet commenced                      | (71.5)              |
| <b>Undiscounted lease payments</b>                      | <u>178.8</u>        |
| Discount at incremental borrowing rate                  | (28.0)              |
| <b>Lease liabilities recognized as at April 1, 2019</b> | <u><u>150.8</u></u> |
| <br>  |                     |
| Current lease liabilities                               | 19.2                |
| Non-current lease liabilities                           | 131.6               |
| <b>Total lease liabilities</b>                          | <u><u>150.8</u></u> |

The adoption of IFRS 16 does not impact the Company's ability to comply with its financial and non-financial covenants as the covenants are calculated as at and during the reporting period in accordance with existing lease guidance applicable at the date of the agreement. As a result of adopting IFRS 16, the Company updated its accounting policies as set out below:

### Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Lease payments for short-term leases with a term of 12 months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in cost of sales or selling, general and administrative expenses on a straight-line or other systematic basis.

#### *Lease liabilities*

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest

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rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

#### *Right-of-use assets*

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

#### *Segment information*

The adoption of IFRS 16 resulted in the Company adjusting its internal financial information used by the chief operating decision maker. Specifically, the change from rent expense, recorded on a straight-line basis in selling, general and administrative expense, to depreciation on right-of-use assets and interest expense on lease liabilities required a different measurement of segment operating income. As a result, expenses in the Company's operating segments now include depreciation and amortization on assets, including right-of-use assets in the current year, used in those segments. Prior to the first quarter of fiscal 2020 depreciation and amortization was not allocated to the Company's operating segments. Prior period operating income by segment has been restated to include depreciation to conform with the presentation adopted in the current year.

In applying the IFRS 16 standard, the following judgments and key sources of estimation uncertainty have an impact on the amounts recognized in the consolidated financial statements.

*Judgments Made in Relation to Accounting Policies Applied:* The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, at inception and over the term of the lease, including investments in major leaseholds, operating performance and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's statement of financial position.

*Key Sources of Estimation:* The critical assumptions and estimates used in determining the present value of future lease payments requires the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

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### Note 4. Segment information

The Company has two reportable operating segments: Direct-to-Consumer and Wholesale. The Company measures each reportable operating segment's performance based on revenue and segment operating income, which is the profit metric utilized by the Company's chief operating decision maker, who is the President and Chief Executive Officer, for assessing the performance of operating segments. Neither reportable operating segment is reliant on any single external customer. Selling, general and administrative expenses not directly associated with the Direct-to-Consumer or Wholesale segments (unallocated) relate to the cost of marketing expenditures to build brand awareness across all segments, corporate costs in support of manufacturing operations, other corporate costs and foreign exchange gains and losses not specifically associated with segment operations.

The Company does not report total assets or total liabilities based on its reportable operating segments.

|  | For the first quarter ended June 2019 |           |             |        |
|--|---------------------------------------|-----------|-------------|--------|
|  | Direct-to-<br>Consumer                | Wholesale | Unallocated | Total  |
|  | \$                                    | \$        | \$          | \$     |
| Revenue                                      | 34.8                                  | 36.3      | —           | 71.1   |
| Cost of sales                                | 8.8                                   | 21.4      | —           | 30.2   |
| <b>Gross profit</b>                          | 26.0                                  | 14.9      | —           | 40.9   |
| Selling, general and administrative expenses | 11.5                                  | 9.1       | 36.9        | 57.5   |
| Depreciation and amortization                | 8.0                                   | 0.8       | 2.1         | 10.9   |
| <b>Operating income (loss)</b>               | 6.5                                   | 5.0       | (39.0)      | (27.5) |
| Net interest and other finance costs         |                                       |           |             | 12.2   |
| <b>Loss before income taxes</b>              |                                       |           |             | (39.7) |

|  | For the first quarter ended June 2018 |           |             |        |
|--|---------------------------------------|-----------|-------------|--------|
|  | Direct-to-<br>Consumer                | Wholesale | Unallocated | Total  |
|  | \$                                    | \$        | \$          | \$     |
| Revenue                                      | 23.2                                  | 21.5      | —           | 44.7   |
| Cost of sales                                | 5.5                                   | 10.6      | —           | 16.1   |
| <b>Gross profit</b>                          | 17.7                                  | 10.9      | —           | 28.6   |
| Selling, general and administrative expenses | 11.4                                  | 7.8       | 25.9        | 45.1   |
| Depreciation and amortization                | 1.5                                   | 0.4       | 1.5         | 3.4    |
| <b>Operating income (loss)</b>               | 4.8                                   | 2.7       | (27.4)      | (19.9) |
| Net interest and other finance costs         |                                       |           |             | 3.1    |
| <b>Loss before income taxes</b>              |                                       |           |             | (23.0) |

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The Company has changed its measure of segment operating income to include depreciation and amortization on assets, including right-of-use assets in the current period, used in those segments. Prior to the first quarter of fiscal 2020, depreciation and amortization were not allocated to the Company's operating segments. In addition, certain selling, general and administrative expenses have been allocated to better align with the operating segment to which they relate. Prior period operating income by segment has been restated to include depreciation and to conform with the presentation adopted in the current year.

### Geographic information

The Company determines the geographic location of revenue based on the location of its customers.

| Revenue by geography:    | For the first quarter ended June |             |
|--------------------------|----------------------------------|-------------|
|                          | 2019                             | 2018        |
|                          | \$                               | \$          |
| Canada                   | 29.2                             | 20.8        |
| United States            | 13.2                             | 11.4        |
| Asia                     | 18.1                             | 6.6         |
| Europe and Rest of World | 10.6                             | 5.9         |
|                          | <u>71.1</u>                      | <u>44.7</u> |

### Note 5. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares, if any, that would be issued on exercise of stock options and restricted share units ("RSU") (note 15).

Subordinate voting shares issuable on exercise of stock options are not treated as dilutive if including them would decrease the loss per share. Accordingly, 1,536,737 potentially dilutive shares have been excluded from the calculation of diluted loss per share for the first quarter ended June 2019 (for the first quarter ended June 2018 - 3,079,703 shares).

|   | For the first quarter ended June |             |
|---|----------------------------------|-------------|
|   | 2019                             | 2018        |
|   | \$                               | \$          |
| <b>Net loss</b>   | (29.4)                           | (18.7)      |
| Weighted average number of multiple and subordinate voting shares outstanding | 110,012,100                      | 108,660,494 |
| <b>Loss per share</b>   |                                  |             |
| Basic and diluted   | \$ (0.27)                        | \$ (0.17)   |



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### Note 6. Leases

#### Right-of-use assets

The following table presents changes in the cost and the accumulated depreciation of the Company's right-of-use assets:

|  | Retail stores | Manufacturing facilities | Other | Total |
|--|---------------|--------------------------|-------|-------|
| Cost                                     | \$            | \$                       | \$    | \$    |
| <b>March 31, 2019</b>                    | —             | —                        | —     | —     |
| Initial application of IFRS 16 (note 3)  | 97.0          | 27.2                     | 12.4  | 136.6 |
| Reclassification of initial direct costs | 5.5           | —                        | —     | 5.5   |
| Additions                                | 62.6          | —                        | 1.5   | 64.1  |
| <b>June 30, 2019</b>                     | 165.1         | 27.2                     | 13.9  | 206.2 |
|  | \$            | \$                       | \$    | \$    |
| Accumulated depreciation                 | \$            | \$                       | \$    | \$    |
| <b>March 31, 2019</b>                    | —             | —                        | —     | —     |
| Depreciation                             | 6.0           | 1.1                      | 0.6   | 7.7   |
| <b>June 30, 2019</b>                     | 6.0           | 1.1                      | 0.6   | 7.7   |
|  | \$            | \$                       | \$    | \$    |
| Net book value                           | \$            | \$                       | \$    | \$    |
| <b>March 31, 2019</b>                    | —             | —                        | —     | —     |
| <b>June 30, 2019</b>                     | 159.1         | 26.1                     | 13.3  | 198.5 |

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### Lease liabilities

The following table presents the changes in the Company's lease liabilities.

|   | Retail stores | Manufacturing facilities | Other       | Total        |
|---|---------------|--------------------------|-------------|--------------|
|   | \$            | \$                       | \$          | \$           |
| <b>March 31, 2019</b>                   | —             | —                        | —           | —            |
| Initial application of IFRS 16 (note 3) | 109.3         | 29.4                     | 12.1        | 150.8        |
| Additions                               | 61.4          | —                        | 1.5         | 62.9         |
| Principal payments                      | (3.5)         | (0.9)                    | (0.6)       | (5.0)        |
| <b>June 30, 2019</b>                    | <b>167.2</b>  | <b>28.5</b>              | <b>13.0</b> | <b>208.7</b> |
| Current lease liabilities               | 21.5          | 4.2                      | 2.4         | 28.1         |
| Non-current lease liabilities           | 145.7         | 24.3                     | 10.6        | 180.6        |
| <b>June 30, 2019</b>                    | <b>167.2</b>  | <b>28.5</b>              | <b>13.0</b> | <b>208.7</b> |

Leases of low-value assets and short-term leases are accounted for as operating leases, and related straight-line rent expense is included in the statement of income. Rent expense for the first quarter ended June 2019 comprises the following:

|                  | For the first quarter ended June |            |
|------------------|----------------------------------|------------|
|                  | 2019                             | 2018       |
|                  | \$                               | \$         |
| Variable rent    | 0.6                              | 0.3        |
| Operating leases | 0.3                              | 4.9        |
|                  | <b>0.9</b>                       | <b>5.2</b> |

The following table reconciles the lease liabilities recognized and the operating lease commitments disclosed as at June 30, 2019 discounted using the incremental borrowing rate:

|  |              |
|--|--------------|
| <b>Lease commitments</b>               | \$ 301.7     |
| Operating leases                       | (2.9)        |
| Leases committed not yet commenced     | (60.0)       |
| <b>Undiscounted lease payments</b>     | <b>238.8</b> |
| Discount at incremental borrowing rate | (30.1)       |
| <b>Lease liabilities recognized</b>    | <b>208.7</b> |
| Current lease liabilities              | 28.1         |
| Non-current lease liabilities          | 180.6        |
| <b>Total lease liabilities</b>         | <b>208.7</b> |

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### Note 7. Trade receivables

|   | June 30<br>2019 | June 30<br>2018 | March 31<br>2019 |
|---|-----------------|-----------------|------------------|
|   | \$              | \$              | \$               |
| Trade accounts receivable                       | 29.7            | 12.6            | 19.7             |
| Credit card receivables                         | 2.5             | 0.7             | 1.6              |
|   | 32.2            | 13.3            | 21.3             |
| Less: expected credit loss and sales allowances | (0.9)           | (0.9)           | (0.9)            |
| <b>Trade receivables, net</b>                   | <b>31.3</b>     | <b>12.4</b>     | <b>20.4</b>      |

Customer deposits are received in advance from certain customers for seasonal orders and applied to reduce accounts receivable when goods are shipped. As at June 30, 2019, customer deposits of \$4.6 (June 30, 2018 - \$2.0, March 31, 2019 - \$0.3) are included in accounts payable and accrued liabilities.

The aging of trade receivables is as follows:

|                           | Total       | Current     | < 30 days  | 31-60 days | Past due<br>> 60 days |
|---------------------------|-------------|-------------|------------|------------|-----------------------|
|                           | \$          | \$          | \$         | \$         | \$                    |
| Trade accounts receivable | 29.7        | 25.5        | 2.0        | 0.7        | 1.5                   |
| Credit card receivables   | 2.5         | 2.5         | —          | —          | —                     |
| <b>June 30, 2019</b>      | <b>32.2</b> | <b>28.0</b> | <b>2.0</b> | <b>0.7</b> | <b>1.5</b>            |
| Trade accounts receivable | 12.6        | 9.8         | 1.3        | —          | 1.5                   |
| Credit card receivables   | 0.7         | 0.7         | —          | —          | —                     |
| <b>June 30, 2018</b>      | <b>13.3</b> | <b>10.5</b> | <b>1.3</b> | <b>—</b>   | <b>1.5</b>            |
| Trade accounts receivable | 19.7        | 12.9        | 4.7        | 0.5        | 1.6                   |
| Credit card receivables   | 1.6         | 1.6         | —          | —          | —                     |
| <b>March 31, 2019</b>     | <b>21.3</b> | <b>14.5</b> | <b>4.7</b> | <b>0.5</b> | <b>1.6</b>            |

The Company has entered into an agreement with a third party who has insured the risk of loss for up to 90% of trade accounts receivable from certain designated customers subject to a total deductible of less than \$0.1, to a maximum of \$30.0 per year. As at June 30, 2019, accounts receivable totaling approximately \$21.9 (June 30, 2018 - \$12.3, March 31, 2019 - \$14.1), were insured under this agreement, representing 77.9% of trade accounts receivable (June 30, 2018 - 89.9%, March 31, 2019 - 87.8%).

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**Note 8. Inventories**

|  | <b>June 30</b> | <b>June 30</b> | <b>March 31</b> |
|--|----------------|----------------|-----------------|
|  | <b>2019</b>    | <b>2018</b>    | <b>2019</b>     |
|  | <b>\$</b>      | <b>\$</b>      | <b>\$</b>       |
| Raw materials  | 57.6           | 43.3           | 45.7            |
| Work in progress   | 15.7           | 8.8            | 19.0            |
| Finished goods   | 292.8          | 187.4          | 202.6           |
| <b>Total inventories at the lower of cost and net realizable value</b> | <b>366.1</b>   | <b>239.5</b>   | <b>267.3</b>    |

Inventories are carried at the lower of cost and net realizable value. In estimating net realizable value, the Company estimates obsolescence and product loss incurred since the last inventory count ("shrinkage"), based on historical experience. Included in inventory as at June 30, 2019 are provisions for obsolescence and inventory shrinkage in the amount of \$15.0 (June 30, 2018 - \$14.1, March 31, 2019 - \$16.5).

Amounts charged to cost of sales comprise the following:

|                               | <b>For the first quarter ended June</b> |             |
|-------------------------------|---|-------------|
|                               | <b>2019</b>                             | <b>2018</b> |
|                               | <b>\$</b>                               | <b>\$</b>   |
| Cost of goods manufactured    | 27.8                                    | 15.1        |
| Depreciation and amortization | 2.4                                     | 1.0         |
|                               | <b>30.2</b>                             | <b>16.1</b> |

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## Note 9. Property, plant and equipment

The following table presents changes in the cost and accumulated depreciation of the Company's property, plant and equipment:

|                                      | Plant equipment | Computer equipment | Leasehold improvements | Show displays | Furniture and fixtures | In progress | Total     |
|--------------------------------------|-----------------|--------------------|------------------------|---------------|------------------------|-------------|-----------|
| <b>Cost</b>                          | <b>\$</b>       | <b>\$</b>          | <b>\$</b>              | <b>\$</b>     | <b>\$</b>              | <b>\$</b>   | <b>\$</b> |
| <b>Balance, as at March 31, 2019</b> | 22.3            | 5.4                | 54.8                   | 7.6           | 20.3                   | 0.7         | 111.1     |
| Additions                            | 3.4             | 0.1                | 1.3                    | 0.3           | —                      | 1.6         | 6.7       |
| Disposals                            | (0.2)           | —                  | —                      | —             | —                      | —           | (0.2)     |
| <b>Balance as at June 30, 2019</b>   | 25.5            | 5.5                | 56.1                   | 7.9           | 20.3                   | 2.3         | 117.6     |
| <b>Balance as at March 31, 2018</b>  | 12.3            | 4.9                | 41.3                   | 5.6           | 11.3                   | 0.4         | 75.8      |
| Additions                            | 1.9             | 0.1                | 0.5                    | 0.3           | 0.4                    | 3.5         | 6.7       |
| <b>Balance as at June 30, 2018</b>   | 14.2            | 5.0                | 41.8                   | 5.9           | 11.7                   | 3.9         | 82.5      |
| <b>Accumulated depreciation</b>      | <b>\$</b>       | <b>\$</b>          | <b>\$</b>              | <b>\$</b>     | <b>\$</b>              | <b>\$</b>   | <b>\$</b> |
| <b>Balance as at March 31, 2019</b>  | 4.1             | 3.0                | 11.3                   | 4.0           | 4.4                    | —           | 26.8      |
| Depreciation                         | 0.5             | 0.2                | 1.5                    | 0.5           | 0.7                    | —           | 3.4       |
| <b>Balance as at June 30, 2019</b>   | 4.6             | 3.2                | 12.8                   | 4.5           | 5.1                    | —           | 30.2      |
| <b>Balance as at March 31, 2018</b>  | 2.4             | 2.2                | 7.2                    | 2.5           | 1.3                    | —           | 15.6      |
| Depreciation                         | 0.3             | 0.2                | 1.1                    | 0.3           | 0.8                    | —           | 2.7       |
| <b>Balance as at June 30, 2018</b>   | 2.7             | 2.4                | 8.3                    | 2.8           | 2.1                    | —           | 18.3      |
| <b>Net book value</b>                |                 |                    |                        |               |                        |             |           |
| <b>Balance as at June 30, 2019</b>   | 20.9            | 2.3                | 43.3                   | 3.4           | 15.2                   | 2.3         | 87.4      |
| <b>Balance as at June 30, 2018</b>   | 11.5            | 2.6                | 33.5                   | 3.1           | 9.6                    | 3.9         | 64.2      |
| <b>Balance as at March 31, 2019</b>  | 18.2            | 2.4                | 43.5                   | 3.6           | 15.9                   | 0.7         | 84.3      |

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**Note 10. Intangible assets**

Intangible assets comprise the following:

|  | <b>June 30</b> | <b>June 30</b> | <b>March 31</b> |
|--|----------------|----------------|-----------------|
|  | <b>2019</b>    | <b>2018</b>    | <b>2019</b>     |
|  | <b>\$</b>      | <b>\$</b>      | <b>\$</b>       |
| Intangible assets with finite lives      | 38.1           | 26.8           | 39.8            |
| Intangible assets with indefinite lives: |                |                |                 |
| Brand names                              | 115.5          | 113.0          | 115.5           |
| Domain name                              | 0.3            | 0.3            | 0.3             |
|  | <u>153.9</u>   | <u>140.1</u>   | <u>155.6</u>    |

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The following table presents the changes in cost and accumulated amortization of the Company's intangible assets with finite lives:

|  | Intangible assets with finite lives |                   |              |                       |             | Total |
|--|-------------------------------------|-------------------|--------------|-----------------------|-------------|-------|
|  | ERP software                        | Computer software | Lease rights | Intellectual property | In progress |       |
| <b>Cost</b>                                  | \$                                  | \$                | \$           | \$                    | \$          | \$    |
| <b>Balance as at March 31, 2019</b>          | 12.8                                | 13.9              | 6.7          | 9.0                   | 15.2        | 57.6  |
| Additions                                    | —                                   | 0.4               | —            | —                     | 5.3         | 5.7   |
| IFRS 16 initial direct costs (notes 3 and 6) | —                                   | —                 | (6.7)        | —                     | —           | (6.7) |
| Transfers                                    | 10.0                                | —                 | —            | —                     | (10.0)      | —     |
| <b>Balance as at June 30, 2019</b>           | 22.8                                | 14.3              | —            | 9.0                   | 10.5        | 56.6  |
| <b>Balance as at March 31, 2018</b>          | 4.3                                 | 11.8              | 6.2          | 3.9                   | 5.8         | 32.0  |
| Additions                                    | 0.7                                 | 0.1               | —            | —                     | 4.2         | 5.0   |
| Transfers                                    | 5.0                                 | 0.2               | —            | —                     | (5.2)       | —     |
| <b>Balance as at June 30, 2018</b>           | 10.0                                | 12.1              | 6.2          | 3.9                   | 4.8         | 37.0  |
|  | ERP software                        | Computer software | Lease rights | Intellectual property | In progress | Total |
| <b>Accumulated amortization</b>              | \$                                  | \$                | \$           | \$                    | \$          | \$    |
| <b>Balance as at March 31, 2019</b>          | 5.6                                 | 7.1               | 1.2          | 3.9                   | —           | 17.8  |
| Amortization                                 | 0.9                                 | 0.6               | —            | 0.4                   | —           | 1.9   |
| IFRS 16 initial direct costs (notes 3 and 6) | —                                   | —                 | (1.2)        | —                     | —           | (1.2) |
| <b>Balance as at June 30, 2019</b>           | 6.5                                 | 7.7               | —            | 4.3                   | —           | 18.5  |
| <b>Balance as at March 31, 2018</b>          | 1.4                                 | 4.4               | 0.5          | 2.2                   | —           | 8.5   |
| Amortization                                 | 0.7                                 | 0.7               | 0.1          | 0.2                   | —           | 1.7   |
| <b>Balance as at June 30, 2018</b>           | 2.1                                 | 5.1               | 0.6          | 2.4                   | —           | 10.2  |
| <b>Net book value</b>                        |                                     |                   |              |                       |             |       |
| <b>Balance as at June 30, 2019</b>           | 16.3                                | 6.6               | —            | 4.7                   | 10.5        | 38.1  |
| <b>Balance as at June 30, 2018</b>           | 7.9                                 | 7.0               | 5.6          | 1.5                   | 4.8         | 26.8  |
| <b>Balance as at March 31, 2019</b>          | 7.2                                 | 6.8               | 5.5          | 5.1                   | 15.2        | 39.8  |

Intellectual property consists of product development costs, acquired technology, and patents and trademarks.

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### Note 11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

|   | June 30<br>2019 | June 30<br>2018 | March 31<br>2019 |
|---|-----------------|-----------------|------------------|
|   | \$              | \$              | \$               |
| Trade payables                                  | 24.9            | 36.8            | 46.5             |
| Accrued liabilities                             | 44.1            | 26.1            | 37.1             |
| Employee benefits                               | 12.5            | 9.1             | 22.3             |
| Other payables                                  | 18.5            | 18.0            | 4.5              |
| <b>Accounts payable and accrued liabilities</b> | <b>100.0</b>    | <b>90.0</b>     | <b>110.4</b>     |

### Note 12. Provisions

Provisions consist primarily of amounts recorded with respect to customer warranty obligations, terminations of sales agents and distributors, sales returns, and asset retirement obligations.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic resources that will be required to meet the Company's obligations for warranties upon sale of goods, which may include repair or replacement of previously sold products. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes, customer behaviour and expectations, or other events affecting product quality and production.

The sales contract provision relates to management's estimated cost of the departure of certain third-party dealers and distributors.

Sales returns relate primarily to goods sold through the Direct-to-Consumer sales channel which have a limited right of return (typically within 30 days), or exchange only, in certain jurisdictions.



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Provisions are classified as current and non-current liabilities based on management's expectations of the timing of settlement, as follows:

|                        | Warranty    | Sales Contracts | Sales Returns | Other      | Total       |
|------------------------|-------------|-----------------|---------------|------------|-------------|
|                        | \$          | \$              | \$            | \$         | \$          |
| Current provisions     | 1.9         | —               | 4.0           | —          | 5.9         |
| Non-current provisions | 8.9         | 3.0             | —             | 2.5        | 14.4        |
| <b>June 30, 2019</b>   | <b>10.8</b> | <b>3.0</b>      | <b>4.0</b>    | <b>2.5</b> | <b>20.3</b> |
| Current provisions     | 2.7         | —               | 1.6           | —          | 4.3         |
| Non-current provisions | 6.0         | 3.0             | —             | 1.5        | 10.5        |
| <b>June 30, 2018</b>   | <b>8.7</b>  | <b>3.0</b>      | <b>1.6</b>    | <b>1.5</b> | <b>14.8</b> |
| Current provisions     | 3.1         | —               | 5.0           | —          | 8.1         |
| Non-current provisions | 9.2         | 3.0             | —             | 2.5        | 14.7        |
| <b>March 31, 2019</b>  | <b>12.3</b> | <b>3.0</b>      | <b>5.0</b>    | <b>2.5</b> | <b>22.8</b> |

### Note 13. Long-term debt

#### *Amendments to long-term debt agreements*

On May 10, 2019, the Company entered into agreements with its lenders to amend the terms of its revolving facility and term loan. The amendment to the revolving facility increased the credit commitment amount to \$300.0 with a seasonal increase of up to \$350.0 during the peak season (June 1 through November 30) and extended the maturity date from June 3, 2021 to June 3, 2024. The amendment to the term loan decreased the interest rate from LIBOR plus 4.00% to LIBOR plus 3.50%, and extended the maturity date from December 2, 2021 to December 2, 2024.

#### *Revolving facility*

The Company has an agreement with a syndicate of lenders for a senior secured asset-based revolving facility in the amount of \$300.0 with an increase in commitments to \$350.0 during the peak season (June 1 - November 30) (prior to the amendment - \$200.0 with an increase in commitments to \$250.0 during the peak season). The revolving credit commitment also includes a letter of credit commitment in the amount of \$25.0, with a \$5.0 sub-commitment for letters of credit issued in a currency other than Canadian dollars, U.S. dollars, Euros or British Pounds Sterling, and a swingline commitment for \$25.0. Amounts owing under the revolving facility can be drawn in Canadian dollars, U.S. dollars, Euros, British Pounds Sterling or other currencies. The revolving facility matures on June 3, 2024. Amounts owing under the revolving facility may be borrowed, repaid and re-borrowed for general corporate purposes.

The revolving facility has multiple interest rate charge options that are based on the Canadian prime rate, Banker's Acceptance rate, the lenders' Alternate Base Rate, European Base Rate, LIBOR rate, or EURIBOR rate plus an applicable margin, with interest payable quarterly. The Company has pledged substantially all of its assets as collateral for the revolving facility. The revolving facility contains financial and non-financial covenants which could impact the Company's

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ability to draw funds. As at and during the fiscal periods ended June 2019 and 2018 and March 31, 2019, the Company was in compliance with all covenants.

The Company incurred transaction costs of \$0.6 in connection with the amendment to the revolving facility. Total deferred transaction costs will be amortized over the extended term to maturity of the facility.

The amount outstanding with respect to the revolving facility is summarized as follows:

|                                 | <b>June 30</b> | <b>June 30</b> | <b>March 31</b> |
|---------------------------------|----------------|----------------|-----------------|
|                                 | <b>2019</b>    | <b>2018</b>    | <b>2019</b>     |
|                                 | <b>\$</b>      | <b>\$</b>      | <b>\$</b>       |
| Revolving facility              | 161.4          | 78.6           | —               |
| Less deferred transaction costs | 1.8            | 1.7            | —               |
|                                 | <u>159.6</u>   | <u>76.9</u>    | <u>—</u>        |

As at March 31, 2019, the Company had repaid all amounts owing on the revolving facility and related deferred financing charges in the amounts of \$1.2 were included in other long-term liabilities. The Company has unused borrowing capacity available under the revolving facility of \$299.4 as at June 30, 2019 (June 30, 2018 - \$82.4, March 31, 2019 - \$165.5).

As at June 30, 2019, the Company had letters of credit outstanding under the revolving facility of \$5.5 (June 30, 2018 - \$0.9, March 31, 2019 - \$1.2).

#### *Term loan*

The Company has a senior secured loan agreement with a syndicate of lenders that is secured on a split collateral basis alongside the revolving facility, with an aggregate principal amount owing as at June 30, 2019 of \$149.0 (US\$113.8). The term loan bears interest at a rate of LIBOR plus an applicable margin of 3.50% (prior to the amendment - LIBOR plus an applicable margin of 4.00%, provided that LIBOR may not be less than 1.00%), payable quarterly or at the end of the then current interest period (whichever is earlier) in arrears. The term loan matures on December 2, 2024. Amounts owing under the term loan may be repaid at any time without premium or penalty, but once repaid may not be reborrowed. The Company has pledged substantially all of its assets as collateral for the term loan. The term loan contains financial and non-financial covenants which could impact the Company's ability to draw funds. As at and during the fiscal periods ended June 2019 and 2018 and March 31, 2019, the Company was in compliance with all covenants.

The Company determined that the amendments to the term loan are equivalent to a prepayment at no cost of the original term loan and the origination of the amended term loan at market conditions. The Company has accounted for the amendments to the term loan agreement as a debt extinguishment and re-borrowing of the loan amount. The existing term loan in the amount of \$151.7 (US\$113.8) and related unamortized costs of \$7.0 have been derecognized. The accelerated unamortized costs are included in net interest and other finance costs in the statement of income.

The Company incurred transaction costs of \$1.4 in connection with the amendment to the term loan, which will be amortized over the new term to maturity using the effective interest rate method.

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As the term loan is denominated in U.S. dollars, the Company remeasures the outstanding balance plus accrued interest at each balance sheet date.

The amount outstanding with respect to the term loan is as follows:

|  | June 30<br>2019 | June 30<br>2018 | March 31<br>2019 |
|--|-----------------|-----------------|------------------|
| Term loan                                  | \$<br>149.0     | \$<br>149.5     | \$<br>152.4      |
| Less unamortized portion of:               |                 |                 |                  |
| Original issue discount                    | —               | (3.0)           | (2.4)            |
| Deferred transaction costs                 | (1.4)           | (1.2)           | (0.9)            |
| Embedded derivative                        | —               | (0.6)           | (0.5)            |
| Revaluation for interest rate modification | —               | (4.3)           | (3.4)            |
|  | <u>147.6</u>    | <u>140.4</u>    | <u>145.2</u>     |

### *Hedging transactions on term loan*

The Company entered into derivative transactions to hedge a portion of its exposure to foreign currency exchange risk and interest rate risk related to the term loan denominated in U.S. dollars. The designated hedge transactions remained effective after the amendment to the term loan agreement. Nevertheless, on June 12, 2019, the Company terminated its existing derivative contracts and entered into new derivative transactions to better align with the amended interest rate and term to maturity of the term loan.

The Company entered into a cross-currency swap by selling \$93.0, \$70.0 in equivalent U.S. dollars, floating rate debt bearing interest at LIBOR plus 3.50% as measured on the trade date, and receiving \$93.0 fixed rate debt bearing interest at a rate of 5.02%. This cross-currency swap has been designated at inception and is accounted for as a cash flow hedge, and to the extent that the hedge is effective, unrealized gains and losses are included in other comprehensive income until reclassified to the statement of income as the hedged interest payments and principal repayments (or periodic remeasurements) impact net income.

Concurrently, the Company entered into a second cross-currency swap by selling the \$93.0 fixed rate debt bearing interest at a rate of 5.02% and receiving \$93.0, or €61.8 in equivalent Euro-denominated fixed rate debt bearing interest at a rate of 3.19%. This cross-currency swap has been designated and is accounted for as a hedge of the net investment in its European subsidiary. Hedges of net investments are accounted for similarly to cash flow hedges, with unrealized gains and losses included in other comprehensive income. Amounts included in other comprehensive income are reclassified to net income in the period when the foreign operation is disposed of or sold.

The Company also entered into a long-dated forward exchange contract to buy \$39.6, or \$30.0 in equivalent U.S. dollars as measured on the trade date, to fix the foreign exchange risk on a portion of the term loan borrowings over the revised term to maturity (December 2, 2024). Unrealized gains and losses in the fair value of the forward contract are recognized in selling, general and administrative expenses in the statement of income.

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### Net interest and other finance costs

Net interest and other finance costs consist of the following:

|  | For the first quarter ended June |            |
|--|----------------------------------|------------|
|  | 2019                             | 2018       |
|  | \$                               | \$         |
| Interest expense   |                                  |            |
| Revolving facility                                       | 0.5                              | 0.3        |
| Term loan  | 2.5                              | 2.8        |
| Lease liabilities  | 2.1                              | —          |
| Standby fees   | 0.2                              | 0.1        |
| Acceleration of unamortized costs on debt extinguishment | 7.0                              | —          |
| <b>Interest expense and other finance costs</b>          | <b>12.3</b>                      | <b>3.2</b> |
| Interest income  | (0.1)                            | (0.1)      |
| <b>Net interest and other finance costs</b>              | <b>12.2</b>                      | <b>3.1</b> |

### Note 14. Shareholders' equity

The authorized and issued share capital of the Company are as follows:

#### Authorized

The authorized share capital of the Company consists of an unlimited number of subordinate voting shares without par value, an unlimited number of multiple voting shares without par value, and an unlimited number of preferred shares without par value, issuable in series.

#### Issued

*Multiple voting shares* - Holders of the multiple voting shares are entitled to 10 votes per multiple voting share. Multiple voting shares are convertible at any time at the option of the holder into one subordinate voting share. The multiple voting shares will automatically be converted into subordinate voting shares when they cease to be owned by one of the principal shareholders. In addition, the multiple voting shares of either of the principal shareholders will automatically be converted to subordinate voting shares at such time as the beneficial ownership of that shareholder falls below 15% of the outstanding subordinate voting shares and multiple voting shares outstanding, or additionally, in the case of DTR, when the President and Chief Executive Officer no longer serves as a director of the Company or in a senior management position.

*Subordinate voting shares* - Holders of the subordinate voting shares are entitled to one vote per subordinate voting share.

The rights of the subordinate voting shares and the multiple voting shares are substantially identical, except for voting and conversion. Subject to the prior rights of any preferred shares, the holders of subordinate and multiple voting shares participate equally in any dividends declared and share equally in any distribution of assets on liquidation, dissolution, or winding up.

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### Share capital transactions for the first quarter ended June 2019

#### Normal course issuer bid

The Board of Directors has authorized the Company to initiate a normal course issuer bid, in accordance with the requirements of the Toronto Stock Exchange, to purchase up to 1,600,000 subordinate voting shares over the 12-month period from May 31, 2019 to May 30, 2020. Purchased subordinate voting shares will be cancelled.

During the first quarter ended June 2019, the Company purchased 853,500 shares for cancellation at an average price per share of \$45.35 for total cash consideration of \$38.7. The amount paid to purchase subordinate voting shares has been charged to share capital at the average share capital amount per share outstanding of \$1.6, with the remaining \$37.1 charged to retained earnings.

The transactions affecting the issued and outstanding share capital of the Company are described below:

|  | Multiple voting shares |            | Subordinate voting shares |              | Total              |              |
|--|------------------------|------------|---------------------------|--------------|--------------------|--------------|
|  | Number                 | \$         | Number                    | \$           | Number             | \$           |
| <b>Balance, as at March 31, 2019</b>                       | 51,004,076             | 1.4        | 59,106,998                | 111.2        | 110,111,074        | 112.6        |
| Purchase of subordinate voting shares                      | —                      | —          | (853,500)                 | (38.7)       | (853,500)          | (38.7)       |
| Excess of purchase price over average share capital amount | —                      | —          | —                         | 37.1         | —                  | 37.1         |
| Exercise of stock options                                  | —                      | —          | 211,697                   | 0.7          | 211,697            | 0.7          |
| Settlement of RSUs   | —                      | —          | 3,550                     | —            | 3,550              | —            |
| <b>Balance, as at June 30, 2019</b>                        | <b>51,004,076</b>      | <b>1.4</b> | <b>58,468,745</b>         | <b>110.3</b> | <b>109,472,821</b> | <b>111.7</b> |

### Share capital transactions for the first quarter ended June 2018

#### Secondary offering

On June 21, 2018, the Company completed a secondary offering of 10,000,000 subordinate voting shares sold by the principal shareholders and a member of management. The Company received no proceeds from the sale of shares.

In connection with the secondary offering:

- The principal shareholders converted 9,900,000 multiple voting shares into subordinate voting shares, which were then sold to the public.
- One member of management exercised stock options to purchase 100,000 subordinate voting shares, which were then sold to the public.
- The Company incurred transaction costs for the secondary offering in the amount of \$1.2 in the first quarter ended June 2018 that are included in selling, general and administrative expenses.

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The transactions affecting the issued and outstanding share capital of the Company are described below:

|   | Multiple voting shares |            | Subordinate voting shares |              | Total              |              |
|---|------------------------|------------|---------------------------|--------------|--------------------|--------------|
|   | Number                 | \$         | Number                    | \$           | Number             | \$           |
| <b>Balance, as at March 31, 2018</b>                        | 70,894,076             | 1.9        | 37,497,549                | 104.2        | 108,391,625        | 106.1        |
| Convert multiple voting shares to subordinate voting shares | (9,900,000)            | (0.3)      | 9,900,000                 | 0.3          | —                  | —            |
| Exercise of stock options                                   | —                      | —          | 631,511                   | 1.4          | 631,511            | 1.4          |
| <b>Balance, as at June 30, 2018</b>                         | <b>60,994,076</b>      | <b>1.6</b> | <b>48,029,060</b>         | <b>105.9</b> | <b>109,023,136</b> | <b>107.5</b> |

### Note 15. Share-based payments

The Company has issued stock options to purchase subordinate voting shares under its incentive plans, prior to the public share offering on March 21, 2017, the Legacy Plan, and subsequently, the Omnibus Plan. All options are issued at an exercise price that is not less than market value at the time of grant and expire ten years after the grant date.

#### *Legacy Plan*

Under the terms of the Legacy Plan, options were granted to certain executives of the Company which are exercisable to purchase subordinate voting shares. The options vest contingent upon meeting the service, performance goals and exit event conditions of the Legacy Plan. No new options will be issued under the Legacy Plan.

##### a) Service-vested options

Service-vested options are subject to the executive's continuing employment and generally are scheduled to vest 40% on the second anniversary of the date of grant, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary.

##### b) Performance-vested and exit event options

Performance-vested options that are tied to an exit event are eligible to vest pro rata on the same schedule as service-vested options, but do not vest until the exit event has occurred. All exit event conditions have been met, and no outstanding options are subject to exit event conditions.

Other performance-vested options vest based on measurable performance targets that do not involve an exit event. Performance-vested options are subject to the executive's continued employment.

#### *Omnibus Plan*

Under the terms of the Omnibus Plan, options are granted to certain employees of the Company which are exercisable to purchase subordinate voting shares. The options vest over four years contingent upon meeting the service conditions of the Omnibus Plan, 25% on each anniversary of the date of grant.

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Stock option transactions are as follows:

|  | <b>2019</b>                            |                         | <b>For the first quarter ended June 2018</b> |                         |
|--|--|-------------------------|--|-------------------------|
|  | <b>Weighted average exercise price</b> | <b>Number of shares</b> | <b>Weighted average exercise price</b>       | <b>Number of shares</b> |
| Options outstanding, beginning of period | \$ 15.75                               | 2,037,665               | \$ 4.71                                      | 3,647,571               |
| Options granted to purchase shares       | \$ 59.56                               | 539,916                 | \$ 83.53                                     | 227,599                 |
| Options exercised                        | \$ 1.43                                | (211,697)               | \$ 1.28                                      | (631,511)               |
| Options cancelled                        | \$ 62.18                               | (9,950)                 | \$ 30.73                                     | (2,405)                 |
| Options outstanding, end of period       | \$ 26.88                               | <u>2,355,934</u>        | \$ 10.89                                     | <u>3,241,254</u>        |

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The following table summarizes information about stock options outstanding and exercisable at June 30, 2019:

| Exercise price | Options Outstanding |  | Options Exercisable |  |
|----------------|---------------------|--|---------------------|--|
|                | Number              | Weighted average remaining life in years | Number              | Weighted average remaining life in years |
| \$ 0.02        | 325,972             | 4.8                                      | 325,972             | 4.8                                      |
| \$ 0.25        | 74,322              | 5.2                                      | 29,877              | 5.2                                      |
| \$ 1.79        | 310,273             | 5.7                                      | 176,935             | 5.8                                      |
| \$ 4.62        | 449,670             | 6.6                                      | 205,357             | 6.7                                      |
| \$ 8.94        | 133,332             | 7.6                                      | 53,328              | 7.6                                      |
| \$ 23.64       | 54,551              | 8.2                                      | 10,644              | 8.2                                      |
| \$ 30.73       | 190,208             | 7.9                                      | 95,221              | 7.9                                      |
| \$ 31.79       | 48,122              | 8.4                                      | 18,437              | 8.4                                      |
| \$ 41.50       | 12,128              | 8.6                                      | 3,032               | 8.6                                      |
| \$ 45.34       | 103,920             | 9.9                                      | —                   | —  |
| \$ 63.03       | 434,072             | 9.8                                      | —                   | —  |
| \$ 71.73       | 7,075               | 9.7                                      | —                   | —  |
| \$ 83.53       | 212,289             | 9.0                                      | 56,731              | 9.0                                      |
|                | <u>2,355,934</u>    | <u>7.4</u>                               | <u>975,534</u>      | <u>6.2</u>                               |

*Restricted share units*

Under the Omnibus Plan, the Company has granted RSUs to employees of the Company. The RSUs are treated as equity instruments for accounting purposes. We expect that vested RSUs will be paid at settlement through the issuance of one subordinate voting share per RSU. The RSUs vest over a period of three years, a third on each anniversary of the date of grant.

RSUs transactions are as follows:

|  | <b>For the first quarter ended June 2019</b> |
|--|--|
|  | <b>Number</b>                                |
| <b>RSUs outstanding, beginning of period</b> | 10,650                                       |
| Granted                                      | 30,943                                       |
| Settled                                      | (3,550)                                      |
| <b>RSUs outstanding, end of period</b>       | <u>38,043</u>                                |

Subordinate voting shares, to a maximum of 5,898,371 shares, have been reserved for issuance under equity incentive plans to select employees of the Company, with vesting contingent upon meeting the service, performance goals and other conditions of the Plan.



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#### Accounting for share-based awards

In the first quarter ended June 2019, the Company recorded \$1.9 as contributed surplus and compensation expense for the vesting of stock options and RSUs (first quarter ended June 2018 - \$0.4). Share-based compensation expense is included in selling, general and administrative expenses.

The assumptions used to measure the fair value of options granted under the Black-Scholes option pricing model at the grant date were as follows:

|   | For the first quarter ended June |       |      |       |
|---|----------------------------------|-------|------|-------|
|   | 2019                             |       | 2018 |       |
| Weighted average stock price valuation        | \$                               | 59.56 | \$   | 83.53 |
| Weighted average exercise price               | \$                               | 59.56 | \$   | 83.53 |
| Risk-free interest rate                       |                                  | 1.5%  |      | 1.83% |
| Expected life in years                        |                                  | 5     |      | 5     |
| Expected dividend yield                       |                                  | —%    |      | —%    |
| Volatility                                    |                                  | 40%   |      | 40%   |
| Weighted average fair value of options issued | \$                               | 18.22 | \$   | 33.20 |

Fair value for RSUs is determined based on the market value of the subordinate voting shares at the time of grant. Grant date fair value for RSUs issued is \$45.34 (2019 - \$77.47).

#### Note 16. Related party transactions

The Company enters into transactions from time to time with its principal shareholders and organizations affiliated with members of the Board of Directors by incurring expenses for business services. During the first quarter ended June 2019, the Company incurred expenses with related parties of \$0.2 (first quarter ended June 2018 - less than \$0.1) to companies related to certain shareholders. Net balances owing to related parties as at June 30, 2019 were \$0.4 (June 30, 2018 - less than \$0.1).

On November 1, 2018, a newly incorporated subsidiary of the Company, Baffin Limited ("Baffin"), acquired the business of Baffin Inc. (the "Baffin Vendor"). The controlling shareholder of the Baffin Vendor is employed as a member of key management subsequent to the acquisition. Transactions with the Baffin Vendor and other affiliates in connection with the acquisition and subsequently (including lease of premises and other operating costs) are related party transactions. With the initial application of IFRS 16, the Company has recognized a lease liability to the Baffin Vendor for the leased premises; the lease liability as at June 30, 2019 was \$5.8. The Company has paid principal and interest on the lease liability and other operating costs to entities affiliated with the Baffin Vendor totalling \$0.3 in the first quarter ended June 2019. Furthermore, in connection with the acquisition of Baffin, \$3.0 is payable to the Baffin Vendor on November 1, 2020 and is being charged to expense over two years.

#### Note 17. Financial instruments and fair value

Management assessed that the fair values of cash, trade receivables, and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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#### Derivative Financial Instruments

##### Foreign exchange risk in operating cash flows

The Company's consolidated financial statements are expressed in Canadian dollars, but a substantial portion of the Company's revenues, inventory purchases and expenses are denominated in other currencies, principally U.S. dollars, Euros, British Pounds Sterling, Swiss francs, Chinese yuan, Hong Kong dollars and Swedish krona. The Company has entered into forward foreign exchange contracts to reduce the foreign exchange risk associated with revenues, purchases, and expenses denominated in these currencies. Beginning in fiscal 2017, certain forward foreign exchange contracts were designated at inception and accounted for as cash flow hedges with respect to expected activity in the 2018 fiscal year. The operating hedge program for the fiscal years ending March 31, 2020 and March 31, 2021 was initiated during the fourth quarter of the 2019 fiscal year.

During the first quarter ended June 2019, an unrealized gain in the fair value of derivatives designated as cash flow hedges in the amounts of \$6.2 (net of tax expense of \$1.1) has been recorded in other comprehensive income (first quarter ended June 2018 - an unrealized loss of \$1.2, net of tax recovery of \$0.4). During the first quarter ended June 2019, an unrealized gain of \$1.6 (first quarter ended June 2018 - an unrealized gain of \$2.2) on forward exchange contracts that are not treated as hedges has been recognized in selling, general and administrative expenses in the statement of income. During the first quarter ended June 2019, a loss of less than \$0.1 was reclassified from other comprehensive income to selling, general and administrative expenses (first quarter ended June 2018 - a loss of \$0.1). During the first quarter ended June 2019, a loss of less than \$0.1 was recorded in revenue and a loss of less than \$0.1 was recorded in inventories (first quarter ended June 2018 - \$nil).

Foreign currency forward exchange contracts outstanding as at June 30, 2019 related to operating cash flows are:

| (in millions)                                 | Contract Amount |       | Primary Currency        |
|---|-----------------|-------|-------------------------|
| Forward contract to purchase Canadian dollars | US\$            | 229.9 | U.S. dollars            |
|   | €               | 97.9  | Euros                   |
| Forward contract to sell Canadian dollars     | US\$            | 114.2 | U.S. dollars            |
|   | €               | 33.4  | Euros                   |
| Forward contract to purchase Euros            | CHF             | 3.3   | Swiss francs            |
|   | CNY             | 762.1 | Chinese yuan            |
|   | £               | 58.3  | British Pounds sterling |
|   | HKD             | 119.0 | Hong Kong dollars       |
|   | SEK             | 10.5  | Swedish Krona           |
| Forward contract to sell Euros                | CHF             | 16.6  | Swiss francs            |
|   | £               | 3.6   | British Pounds sterling |

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Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. Appreciating foreign currencies relative to the Canadian dollar, to the extent they are not hedged, will positively impact operating income and net income, while depreciating foreign currencies relative to the Canadian dollar will have the opposite impact.

### *Foreign exchange risk on long-term debt*

The Company hedges a portion of its exposure to foreign currency exchange risk on principal and interest payments on its term loan denominated in U.S. dollars (note 13).

During the first quarter ended June 2019, an unrealized gain of \$0.2 in the fair value of long-dated forward exchange contracts related to a portion of the term loan balance has been recognized in selling, general and administrative expenses in the statement of income (first quarter ended June 2018 - an unrealized loss of \$1.4). An unrealized loss of \$1.5 (net of tax recovery of \$0.2) on the cross-currency swap that is designated as a cash flow hedge has been recorded in other comprehensive income (first quarter ended June 2018 - an unrealized loss of \$1.1, net of tax recovery of \$0.2). An unrealized gain of \$1.2 was reclassified from other comprehensive income to selling, general and administrative expenses as the periodic remeasurement of the term loan liability impacts net income (first quarter ended June 2018 - an unrealized loss of \$1.4).

During the first quarter ended June 2019, the Company has recognized in other comprehensive income an unrealized loss of \$0.1 (net of tax expense of less than \$0.1) in the fair value of the Euro-denominated cross-currency swap that is designated as a hedge of the Company's net investment in its European subsidiary (first quarter ended June 2018 - an unrealized gain of \$1.5, net of tax expense of \$0.5).

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(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

### Fair Value

The following table presents the fair values and fair value hierarchy of the Company's financial instruments and excludes financial instruments carried at amortized cost that are short-term in nature:

|  | June 30, 2019 |         |         |                |            |
|--|---------------|---------|---------|----------------|------------|
|  | Level 1       | Level 2 | Level 3 | Carrying value | Fair Value |
|  | \$            | \$      | \$      | \$             | \$         |
| <b>Financial assets</b>  |               |         |         |                |            |
| Cash   | 25.0          | —       | —       | 25.0           | 25.0       |
| Derivatives included in other current assets                     | —             | 7.7     | —       | 7.7            | 7.7        |
| Derivatives included in other long-term assets                   | —             | 2.8     | —       | 2.8            | 2.8        |
| <b>Financial liabilities</b>                                     |               |         |         |                |            |
| Derivatives included in accounts payable and accrued liabilities | —             | 2.3     | —       | 2.3            | 2.3        |
| Derivatives included in other long-term liabilities              | —             | 4.8     | —       | 4.8            | 4.8        |
| Revolving facility   | —             | —       | 159.6   | 159.6          | 161.4      |
| Term loan  | —             | —       | 147.6   | 147.6          | 149.0      |
| Lease liabilities  | —             | —       | 208.7   | 208.7          | 208.7      |
|  |               |         |         |                |            |
|  | June 30, 2018 |         |         |                |            |
|  | Level 1       | Level 2 | Level 3 | Carrying value | Fair Value |
|  | \$            | \$      | \$      | \$             | \$         |
| <b>Financial assets</b>  |               |         |         |                |            |
| Cash   | 14.6          | —       | —       | 14.6           | 14.6       |
| Derivatives included in other current assets                     | —             | 7.2     | —       | 7.2            | 7.2        |
| Derivatives included in other long-term assets                   | —             | 4.5     | —       | 4.5            | 4.5        |
| <b>Financial liabilities</b>                                     |               |         |         |                |            |
| Derivatives included in accounts payable and accrued liabilities | —             | 7.6     | —       | 7.6            | 7.6        |
| Derivatives included in other long-term liabilities              | —             | 4.3     | —       | 4.3            | 4.3        |
| Revolving facility   | —             | —       | 76.9    | 76.9           | 78.6       |
| Term loan  | —             | —       | 140.4   | 140.4          | 149.5      |

**Notes to the Condensed Consolidated Interim Financial Statements  
(unaudited)**

**As at and for the first quarter ended June 2019 and 2018**

(in millions of Canadian dollars, except share and per share amounts)

|  | March 31, 2019 |         |         |                   |            |
|--|----------------|---------|---------|-------------------|------------|
|  | Level 1        | Level 2 | Level 3 | Carrying<br>value | Fair Value |
|  | \$             | \$      | \$      | \$                | \$         |
| <b>Financial assets</b>  |                |         |         |                   |            |
| Cash   | 88.6           | —       | —       | 88.6              | 88.6       |
| Derivatives included in other current assets                     | —              | 1.8     | —       | 1.8               | 1.8        |
| Derivatives included in other long-term assets                   | —              | 7.0     | —       | 7.0               | 7.0        |
| <b>Financial liabilities</b>                                     |                |         |         |                   |            |
| Derivatives included in accounts payable and accrued liabilities | —              | 1.6     | —       | 1.6               | 1.6        |
| Derivatives included in other long-term liabilities              | —              | 4.4     | —       | 4.4               | 4.4        |
| Revolving facility   | —              | —       | —       | —                 | —          |
| Term loan  | —              | —       | 145.2   | 145.2             | 152.4      |

There were no transfers between the levels of the fair value hierarchy.

## Notes to the Condensed Consolidated Interim Financial Statements

(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

### Note 18. Commitments and contingencies

The following table summarizes the amount of contractual undiscounted future cash flow requirements as at June 30, 2019:

| Contractual obligations  | Q2 to Q4<br>2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | Thereafter | Total |
|--|------------------|---------|---------|---------|---------|---------|------------|-------|
|  | \$               | \$      | \$      | \$      | \$      | \$      | \$         | \$    |
| Accounts payable and accrued liabilities                       | 100.0            | —       | —       | —       | —       | —       | —          | 100.0 |
| Revolving facility   | —                | —       | —       | —       | —       | 161.4   | —          | 161.4 |
| Term loan  | —                | —       | —       | —       | —       | 149.0   | —          | 149.0 |
| Note payable (Note 16)   | —                | 3.0     | —       | —       | —       | —       | —          | 3.0   |
| Interest commitments relating to long-term debt <sup>(1)</sup> | 10.7             | 14.3    | 14.3    | 14.3    | 14.3    | 6.8     | —          | 74.7  |
| Foreign exchange forward contracts                             | —                | —       | —       | —       | —       | 2.0     | —          | 2.0   |
| Lease obligations  | 28.3             | 39.6    | 39.2    | 41.5    | 38.9    | 38.6    | 75.6       | 301.7 |
| Pension obligation   | —                | —       | —       | —       | —       | —       | 2.2        | 2.2   |

<sup>(1)</sup> Interest commitments are calculated based on the loan balance and the interest rate payable on the Revolving Facility and the Term Loan Facility of 3.38% and 5.94%, respectively, as at June 30, 2019.

### Note 19. Selected cash flow information

#### Changes in non-cash operating items

|   | For the first quarter ended June |                |
|---|----------------------------------|----------------|
|   | 2019                             | 2018           |
|   | \$                               | \$             |
| Trade receivables                         | (11.0)                           | (0.8)          |
| Inventories                               | (99.4)                           | (74.0)         |
| Other current assets                      | (2.7)                            | (4.6)          |
| Accounts payable and accrued liabilities  | (17.9)                           | (30.4)         |
| Provisions                                | (2.5)                            | (2.4)          |
| Deferred rent                             | (0.1)                            | 0.6            |
| Other                                     | (0.1)                            | —              |
| <b>Change in non-cash operating items</b> | <b>(133.7)</b>                   | <b>(111.6)</b> |

## Notes to the Condensed Consolidated Interim Financial Statements

(unaudited)

As at and for the first quarter ended June 2019 and 2018

(in millions of Canadian dollars, except share and per share amounts)

### Changes in liabilities and equity arising from financing activities

|   | Revolving<br>facility | Term loan    | Net derivative<br>asset on<br>terminated<br>contracts | Lease<br>liabilities | Share<br>capital |
|---|-----------------------|--------------|---|----------------------|------------------|
|   | \$                    | \$           | \$  | \$                   | \$               |
| <b>Balance as at March 31,<br/>2019 <sup>(1)</sup></b>              | (1.2)                 | 145.2        | (5.5)   | —                    | 112.6            |
| Cash flows:   |                       |              |   |                      |                  |
| Borrowings on revolving<br>facility                                 | 162.3                 | —            | —   | —                    | —                |
| Transaction costs on<br>financing activities                        | (0.6)                 | (1.4)        | —   | —                    | —                |
| Subordinate voting shares<br>purchased for cancellation             | —                     | —            | —   | —                    | (38.7)           |
| Principal paid on lease<br>liabilities                              | —                     | —            | —   | (5.0)                | —                |
| Settlement of term loan<br>derivative contracts                     | —                     | —            | 4.6   | —                    | —                |
| Exercise of stock options   | —                     | —            | —   | —                    | 0.3              |
| Non-cash items:   |                       |              |   |                      |                  |
| Amortization of debt costs  |                       |              |   |                      |                  |
| Discount  | —                     | 0.1          | —   | —                    | —                |
| Embedded derivative   | —                     | —            | —   | —                    | —                |
| Interest rate modification  | —                     | 0.1          | —   | —                    | —                |
| Deferred transaction<br>costs                                       | 0.1                   | 0.1          | —   | —                    | —                |
| Acceleration of<br>unamortized costs on term<br>loan extinguishment | —                     | 7.0          | —   | —                    | —                |
| Unrealized foreign<br>exchange (gain) loss                          | (1.0)                 | (3.5)        | 0.9   | —                    | —                |
| IFRS 16 initial application<br>(notes 3 and 6)                      | —                     | —            | —   | 150.8                | —                |
| Additions to lease liabilities<br>(note 6)                          | —                     | —            | —   | 62.9                 | —                |
| Share purchase charge to<br>retained earnings                       | —                     | —            | —   | —                    | 37.1             |
| Contributed surplus on<br>exercise of stock options                 | —                     | —            | —   | —                    | 0.4              |
| <b>Balance as at June 30,<br/>2019</b>                              | <b>159.6</b>          | <b>147.6</b> | <b>—</b>  | <b>208.7</b>         | <b>111.7</b>     |

<sup>(1)</sup> Deferred transaction costs on the revolving facility are included in other long-term liabilities.

**Notes to the Condensed Consolidated Interim Financial Statements**

**(unaudited)**

**As at and for the first quarter ended June 2019 and 2018**

(in millions of Canadian dollars, except share and per share amounts)

|  | <b>Revolving<br/>facility</b> | <b>Term loan</b> | <b>Share capital</b> |
|--|-------------------------------|------------------|----------------------|
|  | <b>\$</b>                     | <b>\$</b>        | <b>\$</b>            |
| <b>Balance as at March 31, 2018</b> <sup>(1)</sup> | (1.7)                         | 137.1            | 106.1                |
| Cash flows:  |                               |                  |                      |
| Borrowings on revolving facility                   | 78.5                          | —                | —                    |
| Exercise of stock options                          | —                             | —                | 0.8                  |
| Non-cash items:                                    |                               |                  |                      |
| Amortization of debt costs                         |                               |                  |                      |
| Discount   | —                             | 0.2              | —                    |
| Interest rate modification                         | —                             | 0.3              | —                    |
| Deferred transaction costs                         | 0.1                           | 0.1              | —                    |
| Unrealized foreign exchange loss                   | —                             | 2.7              | —                    |
| Contributed surplus on exercise of stock options   | —                             | —                | 0.6                  |
| <b>Balance as at June 30, 2018</b>                 | <b>76.9</b>                   | <b>140.4</b>     | <b>107.5</b>         |

<sup>(1)</sup> Deferred transaction costs on the revolving facility are included in other long-term liabilities.



*The following Management's Discussion and Analysis ("MD&A") for Canada Goose Holdings Inc. ("us," "we," "our," "Canada Goose" or the "Company") is dated August 13, 2019 and provides information concerning our financial condition and results of operations for the first quarter ended June 2019. You should read this MD&A together with our unaudited condensed consolidated interim financial statements as at and for the first quarter ended June 2019 ("Interim Financial Statements") and our audited consolidated financial statements and the related notes for the fiscal year ended March 31, 2019 ("Annual Financial Statements"). Additional information about Canada Goose is available on our website at [www.canadagoose.com](http://www.canadagoose.com), on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the EDGAR section of the U.S. Securities and Exchange Commission (the "SEC") website at [www.sec.gov](http://www.sec.gov), including our Annual Report on Form 20-F for the year ended March 31, 2019 ("Annual Report").*

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements. These statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by words such as "anticipate," "believe," "envision," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts. They appear in many places throughout this MD&A and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, business prospects, growth, strategies, expectations regarding industry trends and the size and growth rates of addressable markets, our business plan and our growth strategies, including plans for expansion to new markets and new products, expectations for seasonal trends, and the industry in which we operate.

Certain assumptions made in preparing the forward-looking statements contained in this MD&A include:

- our ability to implement our growth strategies;
- our ability to maintain strong business relationships with our customers, suppliers, wholesaler partners and international distributors;
- our ability to keep pace with changing consumer preferences;
- our ability to protect our intellectual property; and
- the absence of material adverse changes in our industry or the global economy.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “Risk Factors” section of our Annual Report, which include, but are not limited to, the following risks:

- we may not open retail stores or expand e-commerce access on our planned timelines;
- we may be unable to maintain the strength of our brand or to expand our brand to new products and geographies;
- we may be unable to protect or preserve our brand image and proprietary rights;
- we may not be able to satisfy changing consumer preferences;
- an economic downturn may affect discretionary consumer spending;
- we may not be able to compete in our markets effectively;
- we may not be able to manage our growth effectively;
- poor performance during our peak season may affect our operating results for the full year;
- our indebtedness may adversely affect our financial condition;
- we may be unable to remediate weaknesses in our internal controls over financial reporting on a timely basis;
- our ability to maintain relationships with our select number of suppliers;
- our ability to manage our product distribution through our wholesale partners and international distributors;
- the success of our new store openings;
- the success of our expansion into Greater China;
- the success of our marketing programs;
- our ability to forecast our inventory needs;
- our ability to manage our exposure to data security and cyber security events;
- the risk our business is interrupted because of a disruption at our headquarters; and
- fluctuations in raw material costs, interest rates and currency exchange rates.

Although we base the forward-looking statements contained in this MD&A on assumptions that we believe are reasonable, we caution you that actual results and developments (including our results of operations, financial condition and liquidity, and the development of the industry in which we operate) may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if results and developments are consistent with the forward-looking statements contained in this MD&A, those results and developments may not be indicative of results or developments in subsequent periods. As a result, any or all of our forward-looking statements in this MD&A may prove to be inaccurate. No forward-looking statement is a guarantee of future results. Moreover, we operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor,

or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

You should read this MD&A and the documents that we reference herein completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained herein are made as of the date of this MD&A, and we do not assume any obligation to update any forward-looking statements except as required by applicable laws.

## **BASIS OF PRESENTATION**

The Interim Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), specifically International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and are presented in millions of Canadian dollars, except where otherwise indicated. The Interim Financial Statements do not include all of the information required for Annual Financial Statements and should be read in conjunction with the Annual Financial Statements. Certain financial measures contained in this MD&A are non-IFRS financial measures and are discussed further under “Non-IFRS Financial Measures” below.

The Interim Financial Statements and the accompanying notes have been prepared using the accounting policies described in note 2 to the Annual Financial Statements, except for the adoption of IFRS 16, *Leases* (“IFRS 16”) effective April 1, 2019. See “IFRS 16 Impact on Results of Operations” and “Changes in Accounting Policies” below, for a description of the impact from adopting this standard. As permitted by the standard, the Company has not restated comparative financial information.

All references to “\$”, “CAD” and “dollars” refer to Canadian dollars, “USD” and “US\$” refer to U.S. dollars, “GBP” refer to British pounds sterling, “EUR” refer to euros, “CHF” refer to Swiss francs, “CNY” refers to Chinese yuan, and “HKD” refer to Hong Kong dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. This MD&A and the accompanying Interim Financial Statements are presented in millions of Canadian dollars.

All references to “fiscal 2016” are to the Company’s fiscal year ended March 31, 2016; to “fiscal 2017” are to the Company’s fiscal year ended March 31, 2017; to “fiscal 2018” are to the Company’s fiscal year ended March 31, 2018; to “fiscal 2019” are to the Company’s fiscal year ended March 31, 2019 and to “fiscal 2020” are to the Company’s fiscal year ending March 29, 2020.

## CHANGE IN FISCAL YEAR EFFECTIVE APRIL 1, 2019

Effective April 1, 2019, the Company changed its fiscal year from a calendar basis of twelve months ended March 31 to a 52 or 53-week reporting cycle with the fiscal year ending on the Sunday closest to March 31. Each fiscal quarter is 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter. The Company's first 53-week fiscal year will occur in 2022. The 2020 fiscal year comprises four fiscal quarters ending on June 30, 2019, September 29, 2019, December 29, 2019 and March 29, 2020. The Company has not adjusted financial results for quarters prior to 2020. In the Interim Financial Statements and in this MD&A, the term "first quarter ended June" refers, in 2019, to the 13 week period ended June 30, 2019 (91 days), and in 2018, to the three months ended June 30, 2018 (91 days).

## SUMMARY OF FINANCIAL PERFORMANCE

The following table summarizes results of operations for the first quarter ended June 2019 and 2018 and expresses the percentage relationship to revenues of certain financial statement captions. See "Results of Operations" for additional details.

| CAD \$ millions<br>(except per share data)    | For the first quarter ended June |           | \$<br>Change | %<br>Change |
|---|----------------------------------|-----------|--------------|-------------|
|   | 2019                             | 2018      |              |             |
| <b>Statement of Income data:</b>              |                                  |           |              |             |
| Revenue                                       | 71.1                             | 44.7      | 26.4         | 59.1%       |
| Gross profit                                  | 40.9                             | 28.6      | 12.3         | 43.0%       |
| <i>Gross margin</i>                           | 57.5 %                           | 64.0 %    |              | (650) bps   |
| Operating loss                                | (27.5)                           | (19.9)    | (7.6)        | (38.2)%     |
| Net loss                                      | (29.4)                           | (18.7)    | (10.7)       | (57.2)%     |
| <b>Loss per share</b>                         |                                  |           |              |             |
| Basic and diluted                             | \$ (0.27)                        | \$ (0.17) | (0.10)       | (58.8)%     |
| <b>Other data:</b> <sup>(1)</sup>             |                                  |           |              |             |
| EBIT  | (27.5)                           | (19.9)    | (7.6)        | (38.2)%     |
| Adjusted EBIT                                 | (25.9)                           | (17.3)    | (8.6)        | (49.7)%     |
| <i>Adjusted EBIT margin</i>                   | (36.4)%                          | (38.7)%   |              | 230 bps     |
| Adjusted net loss                             | (22.8)                           | (16.7)    | (6.1)        | (36.5)%     |
| Adjusted net loss per basic and diluted share | \$ (0.21)                        | \$ (0.15) | (0.06)       | (40.0)%     |

<sup>(1)</sup> EBIT, adjusted EBIT, adjusted EBIT margin, adjusted net loss, and adjusted net loss per basic and diluted share are non-IFRS financial measures. See "Non-IFRS Financial Measures" for a description of these measures and a reconciliation to the nearest IFRS measure.

## Segments

We report our results in two segments which are aligned with our sales channels: Direct-to-Consumer (“DTC”) and Wholesale. We measure each reportable operating segment’s performance based on revenue and segment operating income. Through our wholesale segment, we sell to wholesale partners. Our DTC segment includes sales to customers online through our e-commerce sites and through our retail stores in the following regions and locations:

| <u>E-commerce markets</u> | <u>Company stores</u> |
|---------------------------|-----------------------|
| Austria                   | Beijing               |
| Belgium                   | Boston                |
| Canada                    | Calgary               |
| France                    | Chicago               |
| Germany                   | Hong Kong             |
| Greater China             | London                |
| Ireland                   | Montreal              |
| Luxembourg                | New York City         |
| Netherlands               | Short Hills, NJ       |
| Sweden                    | Toronto               |
| United Kingdom            | Vancouver             |
| United States             |                       |

Our DTC and wholesale segments represented 51.9% and 48.1% of the total revenue, respectively, in fiscal 2019. For fiscal 2018, the DTC and wholesale segments contributed 43.1% and 56.9% of the total revenue, respectively, and for fiscal 2017, the DTC and wholesale segment contributed 28.5% and 71.5%, respectively. The overall growth in sales along with the increased proportion of sales in the DTC segment is expected to continue as we open more retail stores and expand e-commerce access in future years.

### Factors Affecting our Performance

We believe that our performance and future success depend on many factors that present significant opportunities for us and may pose risks and challenges, including those discussed below.

- *Market development.* Our market development strategy has been a key driver of our recent revenue growth and we plan to continue to execute our global expansion strategy. Across our various markets, we intend to continue increasing brand awareness and activating local markets while building out customer access in our wholesale and DTC channels. We expect that marketing expenses to support these initiatives will continue to grow in proportion to anticipated revenue growth. In executing this strategy, we expanded our presence in Greater China in fiscal 2019.
- *Growth in our DTC Channel.* In the third quarter of fiscal 2017, we opened our first two retail stores and have since opened nine stores across the globe, including stores in Short Hills, NJ, Hong Kong, Vancouver, Montreal, and Beijing in fiscal 2019. We intend to continue to open a

select number of additional retail stores in luxury shopping locations, and have announced nine new retail stores for fiscal 2020.

In fiscal 2019, for the first time, revenue generated through our DTC channel made up more than half of our total revenue. Growth in our DTC channel is expected to continue to alter the seasonal concentration of our revenue since customers tend to purchase goods in retail stores and on e-commerce sites at a higher rate in our third and fourth fiscal quarters, compared to the wholesale business, where products are delivered to wholesale partners in the second and third quarters ahead of their peak selling season.

- *New Products.* Product design and innovation are a core part of our strategy and we intend to continue investing in the development and introduction of new products. We intend to continue to expand our Fall/Winter and Spring collections of outerwear, knitwear and accessories across styles, uses and climates. Additionally, in connection with the acquisition of the business of Baffin Inc. (the “Baffin Vendor”), in November 2018 (the “Baffin acquisition”), we intend to continue to offer Baffin branded footwear through its own sales channels. We are also developing a separate Canada Goose footwear offering leveraging Baffin’s infrastructure, processes and technology. We launched our knitwear collection in the second quarter of fiscal 2018. As we introduce additional products, we expect that they will supplement the seasonal nature of our business. We expect these products will be accretive to revenue but may carry a lower gross margin per unit relative to our long-standing styles which are produced in significantly higher volumes.
- *Seasonality.* We experience seasonal fluctuations in our revenue and operating results and historically have realized a significant portion of our annual wholesale revenue during our second and third fiscal quarters and our DTC revenue in the third and fourth fiscal quarters. We generated 75.8%, 74.2%, and 83.5% of our consolidated revenues in the combined second and third fiscal quarters of fiscal 2019, fiscal 2018 and fiscal 2017, respectively. In our wholesale channel, we have visibility into expected future revenues, with a majority of orders received before the end of the prior fiscal year, enabling us to plan our manufacturing calendar. That said, seasonal fluctuations in wholesale and distributor customer demand have shifted the delivery timing of customer orders between quarters in the past and similar shifts may affect the quarterly pattern of wholesale revenue in future. Because of seasonal fluctuations in revenue and fixed costs associated with our business, particularly the headcount growth and premises costs associated with our expanding DTC channel, we typically experience substantially reduced or negative net income and adjusted EBIT<sup>(1)</sup> in the first and fourth quarters. As a result of our seasonality, changes that impact gross margin and adjusted EBIT<sup>(1)</sup> can have a disproportionate impact on the quarterly results when they are recorded in our off-peak periods.

<sup>(1)</sup> *Adjusted EBIT is a non-IFRS measure. See “Non-IFRS Financial Measures” for a description of these measures.*

Guided by expected demand and wholesale orders, we manufacture on a linear basis throughout the fiscal year, resulting in the buildup of inventory ahead of our peak season. Net working capital requirements typically increase in off-peak periods as inventory builds to support our peak shipping and selling season. We finance these needs through a combination of cash on hand, cash from operations, and borrowings on our senior secured asset-based revolving credit facility (the “Revolving Facility”). Cash flows from operating activities are typically highest in the third and fourth fiscal quarters of the fiscal year due to the peak revenue period for the DTC channel and collection of receivables from wholesale revenue earlier in the year.

- *Developments in international trade.* We continue to prepare for the impact on our operations in Europe and the U.K. as a result of the expected British exit from the European Union (“Brexit”). We do not expect any consequences, positive or negative, emanating from recent trade negotiations in connection with the proposed United States-Mexico-Canada Agreement (“USMCA”). The Company continues to benefit from reduced tariffs on certain of our products imported into Europe under the Canada-European Union Comprehensive Economic and Trade Agreement (“CETA”) which entered into force provisionally on September 21, 2017 and is pending ratification by certain EU countries. We monitor developments in international trade in countries where we operate that could have an impact on our business.
- *Foreign Exchange.* We sell a significant portion of our products to customers outside of Canada, which exposes us to fluctuations in foreign currency exchange rates. In fiscal years 2019, 2018 and 2017, we generated 58.0%, 53.7% and 52.2%, respectively, of our revenue in currencies other than Canadian dollars. As most of our wholesale revenue is derived from orders made prior to the beginning of the fiscal year, we have a high degree of visibility into our anticipated future cash flows from wholesale operations. In addition, most of our raw materials are sourced outside of Canada, primarily in U.S. dollars, and selling, general and administrative (“SG&A”) expenses are typically denominated in the currency of the country in which they are incurred. As part of our risk management program, this extended visibility allows us to enter into foreign exchange derivative contracts to manage certain of our exposures to exchange rate fluctuations for future foreign currency transactions, which is intended to reduce the variability of our operating costs and future cash flows denominated in local currencies.

We are exposed to translation and transaction risks associated with foreign currency exchange fluctuations on the U.S. dollar denominated principal and interest amounts payable on our Revolving Facility and senior secured term loan facility (the “Term Loan Facility”). The Company has entered into foreign exchange cross-currency swap and forward contracts to hedge a portion of the exposure to foreign currency exchange and interest rate risk on the principal amount of the Term Loan Facility. See “Quantitative and Qualitative Disclosures about Market Risk - Foreign Exchange Risk” below.

The main foreign currency exchange rates that impact our business and operations as at and for the first quarter ended June 2019 and for the fiscal year ended March 31, 2019 are summarized below:

| Currency | Foreign currency exchange rate to \$1.00 CAD |    |    |    |          |               |
|----------|--|----|----|----|----------|---------------|
|          | Fiscal 2020                                  |    |    |    |          |               |
|          | Average Rate                                 |    |    |    |          | Closing Rate  |
|          | Q1   | Q2 | Q3 | Q4 | 2020 YTD | June 30, 2019 |
| USD/CAD  | 1.3375                                       | —  | —  | —  | 1.3375   | 1.3087        |
| EUR/CAD  | 1.5032                                       | —  | —  | —  | 1.5032   | 1.4887        |
| GBP/CAD  | 1.7190                                       | —  | —  | —  | 1.7190   | 1.6624        |
| CHF/CAD  | 1.3345                                       | —  | —  | —  | 1.3345   | 1.3410        |
| CNY/CAD  | 0.1960                                       | —  | —  | —  | 0.1960   | 0.1906        |
| HKD/CAD  | 0.1706                                       | —  | —  | —  | 0.1706   | 0.1676        |

| Currency | Foreign currency exchange rate to \$1.00 CAD |        |        |        |        |                |
|----------|--|--------|--------|--------|--------|----------------|
|          | Fiscal 2019                                  |        |        |        |        |                |
|          | Average Rate                                 |        |        |        |        | Closing Rate   |
|          | Q1   | Q2     | Q3     | Q4     | 2019   | March 31, 2019 |
| USD/CAD  | 1.2912                                       | 1.3069 | 1.3214 | 1.3292 | 1.3122 | 1.3363         |
| EUR/CAD  | 1.5390                                       | 1.5204 | 1.5080 | 1.5094 | 1.5192 | 1.5002         |
| GBP/CAD  | 1.7567                                       | 1.7039 | 1.6992 | 1.7315 | 1.7228 | 1.7418         |
| CHF/CAD  | 1.3108                                       | 1.3291 | 1.3274 | 1.3329 | 1.3251 | 1.3421         |
| CNY/CAD  | 0.2024                                       | 0.1920 | 0.1911 | 0.1970 | 0.1956 | 0.1991         |
| HKD/CAD  | 0.1645                                       | 0.1666 | 0.1688 | 0.1694 | 0.1673 | 0.1702         |

Source: Bank of Canada

### IFRS 16 Impact on Results of Operations

The adoption of IFRS 16 *Leases* replacing IAS 17, *Leases* has had a significant impact on certain financial metrics in the first quarter of fiscal 2020. The Company adopted the standard on April 1, 2019 using the modified retrospective approach with the cumulative effect of initial application recorded in opening retained earnings. Prior year results have not been restated, as permitted by the standard.

Under IFRS 16, depreciation expense on right-of-use assets and interest expense on lease liabilities replace rent expense, which was previously recognized under IAS 17 on a straight-line basis in operating income over the term of a lease. Depreciation is recognized on a straight-line basis while interest expense declines over the lease term. Compared to the previous standard, lease-related



expenses are higher in the earlier years as interest expense is recognized on an amortized cost basis, and lower in the later years of the lease term.

The following table presents our results of operations for the first quarter ended June 2019, both including and excluding the impacts of IFRS 16, compared with reported results for the first quarter ended June 2018, without restatement and as reported under IAS 17.

| CAD \$ millions<br>(except per share<br>data)        | For the first<br>quarter ended<br>June 2019 | IFRS 16 Impact               |                 | For the first<br>quarter ended<br>June 2019 | For the first<br>quarter ended<br>June 2018 | \$<br>Change | % Change  |
|--|---|------------------------------|-----------------|---|---|--------------|-----------|
|  | As reported<br>(IFRS 16)                    | Depreciation and<br>interest | Rent<br>expense | Excluding IFRS<br>16 (1)                    | As reported (IAS<br>17)                     |              |           |
| <b>Revenue</b>                                       | 71.1  | —                            | —               | 71.1  | 44.7  | 26.4         | 59.1%     |
| Cost of sales  | 30.2  | (1.0)                        | 1.3             | 30.5  | 16.1  | (14.4)       | (89.4)%   |
| <b>Gross profit</b>                                  | 40.9  |                              |                 | 40.6  | 28.6  | 12.0         | 42.0%     |
| <i>Gross margin</i>                                  | 57.5 %                                      |                              |                 | 57.1 %                                      | 64.0 %                                      |              | (690) bps |
| Selling, general and<br>administrative<br>expenses   | 57.5  | —                            | 7.3             | 64.8  | 45.1  | (19.7)       | (43.7)%   |
| <i>SG&amp;A expenses as<br/>% of revenue</i>         | 80.9 %                                      |                              |                 | 91.1 %                                      | 101.0 %                                     |              | 990 bps   |
| Depreciation and<br>amortization                     | 10.9  | (6.6)                        | —               | 4.3   | 3.4   | (0.9)        | (26.5)%   |
| <b>Operating loss</b>                                | (27.5)                                      |                              |                 | (28.5)                                      | (19.9)                                      | (8.6)        | (43.2)%   |
| <i>Operating margin</i>                              | (38.7)%                                     |                              |                 | (40.1)%                                     | (44.5)%                                     |              | 440 bps   |
| Net interest and other<br>finance costs              | 12.2  | (2.1)                        | —               | 10.1  | 3.1   | (7.0)        | (225.8)%  |
| <b>Loss before income<br/>taxes</b>                  | (39.7)                                      |                              |                 | (38.6)                                      | (23.0)                                      | (15.6)       | (67.8)%   |
| Income tax recovery                                  | (10.3)                                      |                              |                 | (10.0)                                      | (4.3)                                       | 5.7          | 132.6%    |
| <i>Effective tax rate</i>                            | 25.9 %                                      |                              |                 | 25.9 %                                      | 18.7 %                                      |              | (720) bps |
| <b>Net loss</b>                                      | (29.4)                                      |                              |                 | (28.6)                                      | (18.7)                                      | (9.9)        | (52.9)%   |
| <b>Loss per share</b>                                |   |                              |                 |   |   |              |           |
| Basic and diluted                                    | \$ (0.27)                                   |                              |                 | \$ (0.26)                                   | \$ (0.17)                                   | (0.09)       | (52.9)%   |
| <b>Other data (2)</b>                                |   |                              |                 |   |   |              |           |
| Adjusted net loss                                    | (22.8)                                      |                              |                 | (22.4)                                      | (16.7)                                      | (5.7)        | (34.1)%   |
| Adjusted net loss per<br>share, basic and<br>diluted | \$ (0.21)                                   |                              |                 | \$ (0.20)                                   | \$ (0.15)                                   | (0.05)       | (33.3)%   |

(1) Presented using IAS 17, as if IFRS 16 had not been adopted, for comparative purposes only.

(2) Adjusted net loss, and adjusted net loss per basic and diluted share are non-IFRS measures. See "Non-IFRS Financial Measures" for a description of these measures and a reconciliation to the nearest IFRS measure.

*Loss for the first quarter ended June 2019, excluding IFRS 16*

In the first year of implementation, for purposes of explaining the impact of the initial application of IFRS 16, without restatement of the results of the prior year, the Company has presented its results of operations for the first quarter ended June 2019 on the basis of the previous accounting standard, excluding IFRS 16, to facilitate comparison with the results for the first quarter ended June, 2018.

Loss per basic and diluted share, excluding IFRS 16, is \$(0.26) per share, compared with the reported loss per basic and diluted share including IFRS 16 of \$(0.27). Adjusted net loss per basic and diluted share, excluding IFRS 16, is \$(0.20), compared with adjusted net loss per basic and diluted share, on an as reported basis including IFRS 16, of \$(0.21). Under both approaches, changes in financial performance are the result of the growth in business activity; the results for the current year measured in terms of loss per share and adjusted net loss per share, and the change between years, are not significantly different, although the cost of leasing is accounted for differently. Lease related costs are characterized as rent under the previous standard and as depreciation and interest expense under IFRS 16, and are included in different components of the financial results.

*Loss for the first quarter ended June 2019, as reported*

The impact of the change in the seasonally low first quarter is significant because rent expense, depreciation and interest are fixed costs, and because there are costs in the current year that were not incurred in the prior year. The lease costs in the first quarter ended June 2019 include leases of five retail stores that were not open in the first quarter ended June 2018, and two additional manufacturing facilities. The first quarter ended June 2019 also includes pre-store opening depreciation of \$2.3m and interest expense of \$0.5m for new stores that will open in fiscal 2020, compared with \$2.3m in pre-store opening costs for rent expense in the results excluding IFRS 16.

Elsewhere in this MD&A, the Company compares the reported financial results under IFRS 16 with the reported financial results for the prior year without restatement. Changes as a result of the change in lease accounting are explained for the income statement components that are affected.

See "Changes in Accounting Policies" below, for further details on the impact from adopting this standard.

## Components of Our Results of Operations

### *Revenue*

DTC revenue consists of sales through our e-commerce operations and retail stores. Revenue through e-commerce operations and retail stores is recognized upon delivery of the goods to the customer and when consideration is received, net of an estimated provision for sales returns.

Wholesale revenue comprises sales to third party resellers, which includes distributors and retailers of our products. Wholesale revenue from the sale of goods, net of an estimated provision for sales returns, discounts and allowances, is recognized when the control of the goods has been transferred to the reseller, which, depending on the terms of the agreement with the reseller, occurs when the products have been shipped to the reseller, are picked up from our third-party warehouse or arrive at the reseller's facilities.

### *Cost of Sales and Gross Profit*

Gross profit is our revenue less cost of sales. Cost of sales comprises the cost of manufacturing our products, including raw materials, direct labour and overhead, plus freight, duties and non-refundable taxes incurred in delivering the goods to distribution centres managed by third parties or to our retail stores. It also includes costs incurred in our production, design and merchandise departments, depreciation on our manufacturing right-of-use assets and plant assets as well as rent expense related to our manufacturing facilities (in prior fiscal years), inventory provisions and allowances related to obsolescence and shrinkage. The primary drivers of our cost of sales are the costs of raw materials (which are sourced in both Canadian dollars and U.S. dollars), manufacturing labour rates in the provinces of Canada and the allocation of overhead. Gross margin measures our gross profit as a percentage of revenue. Inventory acquired in connection with the Baffin acquisition was recorded at its fair value, measured as net realizable value, less costs to sell. When the opening inventory is sold, the gross profit that would otherwise have been recognized without the inventory valuation adjustment will reduce the associated gross profit and gross margin.

### *SG&A Expenses*

SG&A expenses consist of selling costs to support our customer relationships and to deliver our products to our e-commerce customers, retail stores and wholesale partners. It also includes our marketing and brand investment activities and the corporate infrastructure required to support our ongoing operations. Foreign exchange gains and losses are recorded in SG&A and comprise the translation of assets and liabilities denominated in currencies other than the functional currency of the Company or its subsidiaries, including cash balances, the Term Loan Facility, and a portion of our Revolving Facility, mark-to-market adjustments on derivative contracts, gains or losses associated with our term loan hedges, and realized gains on settlement of foreign currency denominated assets and liabilities.

Selling costs, other than headcount-related costs, generally correlate to revenue timing and therefore experience similar seasonal trends. As a percentage of sales, we expect these selling costs to change as our business evolves. This change has been and is expected to be primarily driven by the growth of our DTC channel, including the investment required to support e-commerce sites and retail stores. Retail store costs are mostly fixed and are incurred throughout the year. The growth of our DTC channel has been and is expected to be accretive to net income on an

annual basis given that the higher gross margin for sales made through our DTC channel captures the full retail value of our products.

General and administrative expenses represent costs incurred in our corporate offices, primarily related to marketing, personnel costs (including salaries, variable incentive compensation, benefits, and share-based compensation), technology support and other professional service costs. We have invested considerably in this area to support the growing volume and complexity of our business and anticipate continuing to do so in the future.

#### *Depreciation and amortization*

Depreciation and amortization represent the economic benefit incurred in using the Company's property, plant and equipment, and intangible assets and, beginning in fiscal 2020, right-of-use assets.

#### *Net interest and other finance costs*

Net interest and other finance costs represents interest expense on our long-term debt including the Revolving Facility, the Term Loan Facility, and lease liabilities (beginning in fiscal 2020), as well as standby fees, net of interest income.

#### *Income Taxes*

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. The primary regions that determine the effective tax rate are Canada, the U.S., Switzerland, the U.K and Greater China.

## RESULTS OF OPERATIONS

For the first quarter ended June 2019 compared to first quarter ended June 2018

The following table summarizes results of operations and expresses the percentage relationship to revenues of certain financial statement captions.

| CAD \$ millions<br>(except share and per share data) | For the first quarter ended June |             | \$<br>Change | % Change  |
|--|----------------------------------|-------------|--------------|-----------|
|  | 2019                             | 2018        |              |           |
| <b>Statement of Income data:</b>                     |                                  |             |              |           |
| <b>Revenue</b>                                       | 71.1                             | 44.7        | 26.4         | 59.1%     |
| Cost of sales  | 30.2                             | 16.1        | (14.1)       | (87.6)%   |
| <b>Gross profit</b>                                  | 40.9                             | 28.6        | 12.3         | 43.0%     |
| <i>Gross margin</i>                                  | 57.5 %                           | 64.0 %      |              | (650) bps |
| Selling, general and administrative expenses         | 57.5                             | 45.1        | (12.4)       | (27.5)%   |
| <i>SG&amp;A expenses as % of revenue</i>             | 80.9 %                           | 101.0 %     |              | 2,010 bps |
| Depreciation and amortization                        | 10.9                             | 3.4         | (7.5)        | (220.6)%  |
| <b>Operating loss</b>                                | (27.5)                           | (19.9)      | (7.6)        | (38.2)%   |
| <i>Operating margin</i>                              | (38.7)%                          | (44.5)%     |              | 580 bps   |
| Net interest and other finance costs                 | 12.2                             | 3.1         | (9.1)        | (293.5)%  |
| <b>Loss before income taxes</b>                      | (39.7)                           | (23.0)      | (16.7)       | (72.6)%   |
| Income tax recovery                                  | (10.3)                           | (4.3)       | 6.0          | 139.5%    |
| <i>Effective tax rate</i>                            | 25.9 %                           | 18.7 %      |              | (720) bps |
| <b>Net loss</b>                                      | (29.4)                           | (18.7)      | (10.7)       | (57.2)%   |
| Other comprehensive income (loss)                    | 3.9                              | (0.3)       | 4.2          |           |
| <b>Comprehensive loss</b>                            | (25.5)                           | (19.0)      | (6.5)        | (34.2)%   |
| <b>Loss per share</b>                                |                                  |             |              |           |
| Basic and diluted                                    | \$ (0.27)                        | \$ (0.17)   | (0.10)       | (58.8)%   |
| <b>Weighted average number of shares outstanding</b> |                                  |             |              |           |
| Basic  | 110,012,100                      | 108,660,494 |              |           |
| <b>Other data: (1)</b>                               |                                  |             |              |           |
| EBIT   | (27.5)                           | (19.9)      | (7.6)        | (38.2)%   |
| Adjusted EBIT  | (25.9)                           | (17.3)      | (8.6)        | (49.7)%   |
| <i>Adjusted EBIT margin</i>                          | (36.4)%                          | (38.7)%     |              | 230 bps   |
| Adjusted net loss                                    | (22.8)                           | (16.7)      | (6.1)        | (36.5)%   |
| Adjusted net loss per basic and diluted share        | \$ (0.21)                        | \$ (0.15)   | (0.06)       | (40.0)%   |

(1) EBIT, adjusted EBIT, adjusted EBIT margin, adjusted net loss, and adjusted net loss per basic and diluted share are non-IFRS measures. See "Non-IFRS Financial Measures" for a description of these measures and a reconciliation to the nearest IFRS measure.

## Revenue

Revenue for the first quarter ended June 2019 increased by \$26.4m, or 59.1% from \$44.7m for the first quarter ended June 2018 to \$71.1m. The increase was driven by growth in all geographic regions and segments. On a constant currency<sup>(1)</sup> basis, revenue increased by 58.6% for the first quarter ended June 2019 compared to the first quarter ended June 2018. Revenue generated from our DTC channel represented 49.0% of total revenue for the first quarter ended June 2019 compared to 51.9% for the first quarter ended June 2018.

| CAD \$ millions | For the first quarter ended June |      |             | \$ Change               |                      | % Change    |                      |
|-----------------|----------------------------------|------|-------------|-------------------------|----------------------|-------------|----------------------|
|                 | 2019                             | 2018 | As reported | Foreign exchange impact | In constant currency | As reported | In constant currency |
| DTC             | 34.8                             | 23.2 | 11.6        | (0.2)                   | 11.4                 | 50.0%       | 49.1%                |
| Wholesale       | 36.3                             | 21.5 | 14.8        | —                       | 14.8                 | 68.8%       | 68.8%                |
| Total revenue   | 71.1                             | 44.7 | 26.4        | (0.2)                   | 26.2                 | 59.1%       | 58.6%                |

<sup>(1)</sup> Constant currency revenue is a non-IFRS financial measure. See "Non-IFRS Financial Measures" for a description of these measures.

### DTC

Revenue from our DTC channel was \$34.8m for the first quarter ended June 2019 compared to \$23.2m for the first quarter ended June 2018. The Company operated eleven retail stores in the first quarter ended June 2019, compared with six retail locations in the first quarter ended June 2018. The increase of \$11.6m in revenue from our DTC channel was driven by the incremental revenue from new retail stores and one new e-commerce market opened in fiscal 2019.

### Wholesale

Revenue from our wholesale channel was \$36.3m for the first quarter ended June 2019 compared to \$21.5m for the first quarter ended June 2018. The increase of \$14.8m in revenue from our wholesale channel was driven by higher order values from existing wholesale partners and international distributors, customer requests for earlier order shipments in Europe and Asia, relative to last year, and incremental revenue contributed by Baffin.

### Revenue by geography

| CAD \$ millions          | For the first quarter ended June |                    |      |                    |           |          |
|--------------------------|----------------------------------|--------------------|------|--------------------|-----------|----------|
|                          | 2019                             | % of total revenue | 2018 | % of total revenue | \$ Change | % Change |
| Canada                   | 29.2                             | 41.0%              | 20.8 | 46.5%              | 8.4       | 40.4%    |
| United States            | 13.2                             | 18.6%              | 11.4 | 25.5%              | 1.8       | 15.8%    |
| Asia                     | 18.1                             | 25.5%              | 6.6  | 14.8%              | 11.5      | 174.2%   |
| Europe and Rest of World | 10.6                             | 14.9%              | 5.9  | 13.2%              | 4.7       | 79.7%    |
|                          | 71.1                             | 100.0%             | 44.7 | 100.0%             | 26.4      | 59.1%    |

Revenue increased across all our geographic regions for the first quarter ended June 2019 compared to the first quarter ended June 2018. This revenue growth was primarily attributable to the incremental revenues generated from retail stores and e-commerce sites that were not open in the first quarter ended June 2018. Further, there was an increase in the proportion of revenues in Asia primarily attributable to incremental distributor shipments in the quarter as well as new retail stores in Hong Kong and Beijing and e-commerce access.

### **Cost of Sales and Gross Profit**

Cost of sales for the first quarter ended June 2019 increased by \$14.1m or 87.6% compared to the first quarter ended June 2018. Gross profit and gross margin for the first quarter ended June 2019 were \$40.9m and 57.5%, respectively, compared to \$28.6m and 64.0%, respectively, for the same period in fiscal 2019. The increase in gross profit was attributable to revenue growth. The change in gross margin was driven by mix, with higher proportion of wholesale revenue and, within the channel, a greater share of distributor sales due to earlier shipments than in fiscal 2019. As a result of our seasonality, changes that impact gross margin can have a disproportionate impact on the quarterly results when they are recorded in our off-peak periods.

| CAD \$ millions  | For the first quarter ended June |                      |          |                      | \$ Change | % Change |
|------------------|----------------------------------|----------------------|----------|----------------------|-----------|----------|
|                  | 2019                             |                      | 2018     |                      |           |          |
|                  | Reported                         | % of segment revenue | Reported | % of segment revenue |           |          |
| <b>DTC</b>       |                                  |                      |          |                      |           |          |
| Revenue          | 34.8                             | 100.0%               | 23.2     | 100.0%               | 11.6      | 50.0 %   |
| Cost of sales    | 8.8                              | 25.3%                | 5.5      | 23.7%                | (3.3)     | (60.0)%  |
| Gross profit     | 26.0                             | 74.7%                | 17.7     | 76.3%                | 8.3       | 46.9 %   |
| <b>Wholesale</b> |                                  |                      |          |                      |           |          |
| Revenue          | 36.3                             | 100.0%               | 21.5     | 100.0%               | 14.8      | 68.8 %   |
| Cost of sales    | 21.4                             | 59.0%                | 10.6     | 49.3%                | (10.8)    | (101.9)% |
| Gross profit     | 14.9                             | 41.0%                | 10.9     | 50.7%                | 4.0       | 36.7 %   |
| <b>Total</b>     |                                  |                      |          |                      |           |          |
| Revenue          | 71.1                             | 100.0%               | 44.7     | 100.0%               | 26.4      | 59.1 %   |
| Cost of sales    | 30.2                             | 42.5%                | 16.1     | 36.0%                | (14.1)    | (87.6)%  |
| Gross profit     | 40.9                             | 57.5%                | 28.6     | 64.0%                | 12.3      | 43.0 %   |

### **DTC**

Cost of sales in our DTC channel was \$8.8m for the first quarter ended June 2019 compared to \$5.5m for the first quarter ended June 2018. Gross profit was \$26.0m for the first quarter ended June 2019 compared to \$17.7m for the first quarter ended June 2018. DTC gross margin decreased from 76.3% of segment revenue to 74.7% in the first quarter ended June 2019. The increase in DTC channel gross profit was attributable to the incremental gross profit generated from new stores opened in fiscal 2019 and the continued strong performances of our existing retail stores and e-commerce sites. The decrease in gross margin reflects the success of our initiatives to grow our non-parka business, which has lower margins and represented 33.5% of channel revenue.

## Wholesale

Cost of sales in our wholesale channel was \$21.4m for the first quarter ended June 2019 compared to \$10.6m for the first quarter ended June 2018. Gross profit was \$14.9m for the first quarter ended June 2019 compared to \$10.9m for the first quarter ended June 2018. Wholesale gross margin decreased from 50.7% of segment revenue to 41.0% in the first quarter ended June 2019. The \$4.0m increase in gross profit was primarily attributable to higher revenue. Distributor sales, which generally carry lower margin than sales to our wholesale partners, represent a higher proportion of our wholesale revenue in the first quarter compared to the same period last year.

## SG&A Expenses

SG&A expenses for the first quarter ended June 2019 were \$57.5m compared to \$45.1m for the first quarter ended June 2018. With the adoption of IFRS 16 lease accounting, rent expense of \$3.3m was included in SG&A expenses in the first quarter ended June 2018 with no comparable charge in the first quarter of the current year. The increase of \$12.4m or 27.5% (\$15.7m or 34.8% excluding rent expense) was primarily driven by the expansion of our DTC footprint, including five new stores opened in fiscal 2019, increased investment in marketing to build the brand and consumer demand, as well as the incremental cost to support our growing Greater China operations. The Company has continued to scale, with investment in personnel in all segments as well as information technology-related expenditures to support growth. We also incurred costs related to the Baffin acquisition of \$0.4m during the first quarter ended June 2019 and costs of \$1.2m for the Secondary Offering completed in June 2018. SG&A expenses as a percentage of revenue is higher in the first quarter as a result of higher fixed operating costs in a typically low revenue quarter.

| CAD \$ millions                | For the first quarter ended June |                      |             |                      |               |                |
|--------------------------------|----------------------------------|----------------------|-------------|----------------------|---------------|----------------|
|                                | 2019                             |                      | 2018        |                      | \$ Change     | % Change       |
|                                | Reported                         | % of segment revenue | Reported    | % of segment revenue |               |                |
| <b>Segment:</b>                |                                  |                      |             |                      |               |                |
| DTC                            | 11.5                             | 33.0%                | 11.4        | 49.1%                | (0.1)         | (0.9)%         |
| Wholesale                      | 9.1                              | 25.1%                | 7.8         | 36.3%                | (1.3)         | (16.7)%        |
| Unallocated corporate expenses | 36.9                             |                      | 25.9        |                      | (11.0)        | (42.5)%        |
| Total SG&A expenses            | <u>57.5</u>                      | <u>80.9%</u>         | <u>45.1</u> | <u>101.0%</u>        | <u>(12.4)</u> | <u>(27.5)%</u> |

## DTC

SG&A expenses in our DTC channel for the first quarter ended June 2019 were \$11.5m compared to \$11.4m for the first quarter ended June 2018. SG&A expenses in the DTC segment decreased from 49.1% of segment revenue to 33.0% in the first quarter of fiscal 2020. The increase of \$0.1m or 0.9% in SG&A expenses rises to \$3.1m or 36.9% when \$3.0m of rent in the prior year is taken into account. The increase was primarily attributable to incremental operating costs of five retail stores that opened during fiscal 2019. Pre-store opening costs for new retail stores of \$0.2m in rent expense were incurred in the first quarter ended June 2018. The comparable pre-store opening costs of \$2.8m incurred in the first quarter ended June 2019 consist of depreciation and interest costs and are included below.



## Wholesale

SG&A expenses in our wholesale channel for the first quarter ended June 2019 were \$9.1m compared to \$7.8m for the first quarter ended June 2018. SG&A expenses in the wholesale segment decreased from 36.3% of segment revenue to 25.1% in the period. The increase of \$1.3m or 16.7% in SG&A expenses (\$1.6m or 21.3% taking into account \$0.3m in rent expense in fiscal 2019) is a result of an increase in headcount and other fixed costs to support sales and operations of the wholesale business.

## Unallocated Corporate Expenses

Unallocated corporate expenses for the first quarter ended June 2019 were \$36.9m compared to \$25.9m for the first quarter ended June 2018. The increase of \$11.0m or 42.5% was a result of an increase in costs to support growth, primarily increased investment in marketing to build the brand and consumer demand, as well as investment in people and technology and costs of our expansion supporting growth outside North America. Costs in the period also include \$0.4m of costs in connection with the Baffin acquisition compared with costs of \$1.2m for the Secondary Offering in June 2018.

## Depreciation and amortization

Depreciation and amortization for the first quarter ended June 2019 was \$10.9m compared to \$3.4m for the first quarter ended June 2018. Of the increase of \$7.5m, \$6.6m is attributable to the adoption of IFRS 16 resulting in depreciation charges on right-of-use assets during the first quarter of fiscal 2020. Excluding depreciation on right-of-use assets, depreciation and amortization increased by \$0.9m, or 26.5%, which is attributable to the development of the retail segment. Depreciation expense on right-of-use assets of \$2.3m relates to pre-store opening costs for new retail locations to be opened in the fall of 2019.

| CAD \$ millions                           | For the first quarter ended June |          | \$ Change | % Change |
|---|----------------------------------|----------|-----------|----------|
|   | 2019                             | 2018     |           |          |
|   | Reported                         | Reported |           |          |
| <b>Segment:</b>                           |                                  |          |           |          |
| DTC                                       | 8.0                              | 1.5      | (6.5)     | (433.3)% |
| Wholesale                                 | 0.8                              | 0.4      | (0.4)     | (100.0)% |
| Unallocated depreciation and amortization | 2.1                              | 1.5      | (0.6)     | (40.0)%  |
| Total depreciation and amortization       | 10.9                             | 3.4      | (7.5)     | (220.6)% |

The Company has changed its measure of segment operating income to include depreciation and amortization on assets, including right-of-use assets in the current period, used in those segments. Prior to the first quarter of fiscal 2020 depreciation and amortization were not allocated to the Company's operating segments. Prior period operating income by segment has been restated to include depreciation to conform with the presentation adopted in the current year.

## Operating Income (Loss) and Margin

Total operating loss for the first quarter ended June 2019 was \$27.5m compared to \$19.9m for the first quarter ended June 2018. Operating loss as a percentage of revenue (operating margin) for the first quarter ended June 2019 was 38.7% compared to 44.5% for the first quarter ended June 2018.

The operating loss for the first quarter ended June 2019 included depreciation on right-of-use assets of \$6.6m compared with rent expense of \$3.3m in the first quarter ended June 2018.

| CAD \$ millions                           | For the first quarter ended June |                  |                         |                  | \$ Change | % Change |
|---|----------------------------------|------------------|-------------------------|------------------|-----------|----------|
|   | 2019                             |                  | 2018                    |                  |           |          |
|   | Operating income (loss)          | Operating margin | Operating income (loss) | Operating margin |           |          |
| <b>Segment:</b>                           |                                  |                  |                         |                  |           |          |
| DTC                                       | 6.5                              | 18.7 %           | 4.8                     | 20.7 %           | 1.7       | 35.4 %   |
| Wholesale                                 | 5.0                              | 13.8 %           | 2.7                     | 12.6 %           | 2.3       | 85.2 %   |
|   | 11.5                             |                  | 7.5                     |                  | 4.0       | 53.3 %   |
| Unallocated corporate expenses            | 36.9                             |                  | 25.9                    |                  | (11.0)    | (42.5)%  |
| Unallocated depreciation and amortization | 2.1                              |                  | 1.5                     |                  | (0.6)     | (40.0)%  |
| Total operating loss                      | (27.5)                           | (38.7)%          | (19.9)                  | (44.5)%          | (7.6)     | (38.2)%  |

### DTC

DTC segment operating income for the first quarter ended June 2019 was \$6.5m compared to operating income of \$4.8m for the first quarter ended June 2018, an increase of \$1.7m. Excluding pre-store opening costs of \$2.3m (2018 - \$0.2m), the DTC segment generated operating income of \$8.8m, an increase of \$3.8m on a comparable basis to the prior year. Operating margin for the DTC segment decreased from 20.7% of segment revenue to 18.7% in the first quarter of fiscal 2020. Excluding pre-store opening costs in both periods, the DTC operating margin rose from 21.6% to 25.3%, driven by strong sales productivity across the channel. Increased revenue and gross profit were offset by fixed operating costs associated with five additional retail stores, depreciation charges on store right-of-use assets, and pre-store opening depreciation, as described above.

### Wholesale

Wholesale segment operating income for the first quarter ended June 2019 was \$5.0m compared to \$2.7m for the first quarter ended June 2018. Operating margin in the wholesale segment increased from 12.6% of segment revenue to 13.8% in the period. The increase of \$2.3m was primarily attributable to higher gross profit driven by overall demand growth. The increase in operating margin is attributable to better operating leverage on SG&A expenses compared to the prior year, partially offset by a decline in gross margin as a result of the factors described above.

### ***Net Interest and Other Finance Costs***

Net interest and other finance costs for the first quarter ended June 2019 were \$12.2m, compared with \$3.1m for the first quarter ended June 2018. The increase of \$9.1m was driven by the acceleration of unamortized costs in connection with the refinancing of the Term Loan Facility of \$7.0m (2018 - \$nil), \$2.1m of interest on lease liabilities (2018 - \$nil), as well as higher average borrowings on the Revolving Facility. Interest on lease liabilities of \$0.5m relates to pre-store opening costs for new retail locations to be opened in the fall of 2019.

### ***Income Taxes***

Income tax recovery for the first quarter ended June 2019 was \$10.3m compared to \$4.3m for the first quarter ended June 2018. For the first quarter ended June 2019, the effective tax rate and statutory tax rate were 25.9% and 25.4%, respectively, compared to 18.7% and 25.4% for the first quarter ended June 2018.

The effective tax rate for the first quarter ended June 2019 is slightly higher than its corresponding statutory tax rate. Conversely, the effective tax rate for the first quarter ended June 2018 was lower than its corresponding statutory tax rate.

For the first quarter ended June 2019, the effective tax rate is higher as a result of inventory which remained unsold in our foreign subsidiaries with a higher tax rate as well as differences in tax rates in our foreign jurisdictions and non-taxable unrealized gains on foreign exchange translation. For the first quarter ended June 2018, the lower rate was due to the difference in tax rates in our foreign jurisdictions and the non-deductible unrealized losses on foreign exchange translation.

### ***Net Loss***

Net loss for the first quarter ended June 2019 was \$29.4m compared to \$18.7m for the first quarter ended June 2018, driven by the factors described above.

## Quarterly Financial Information

| CAD \$ millions (except per share data)                     | Fiscal 2020   |                | Fiscal 2019   |                |               | Fiscal 2018    |               |                |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
|   | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| Revenue   |               |                |               |                |               |                |               |                |
| DTC   | 34.8          | 122.4          | 235.3         | 50.4           | 23.2          | 94.8           | 131.6         | 20.2           |
| Wholesale   | 36.3          | 33.8           | 164.0         | 179.9          | 21.5          | 30.0           | 134.2         | 152.1          |
| Total   | 71.1          | 156.2          | 399.3         | 230.3          | 44.7          | 124.8          | 265.8         | 172.3          |
| % of fiscal year revenue                                    | —%            | 18.8%          | 48.1%         | 27.7%          | 5.4%          | 21.1%          | 45.0%         | 29.2%          |
| Net income (loss)   | (29.4)        | 9.0            | 103.4         | 49.9           | (18.7)        | 8.1            | 63.0          | 37.1           |
| Earnings (loss) per share                                   |               |                |               |                |               |                |               |                |
| Basic   | \$ (0.27)     | \$ 0.08        | \$ 0.94       | \$ 0.46        | \$ (0.17)     | \$ 0.08        | \$ 0.59       | \$ 0.35        |
| Diluted   | \$ (0.27)     | \$ 0.08        | \$ 0.93       | \$ 0.45        | \$ (0.17)     | \$ 0.07        | \$ 0.56       | \$ 0.33        |
| Adjusted EBIT <sup>(1)</sup>                                | (25.9)        | 13.0           | 144.7         | 66.4           | (17.3)        | 16.9           | 91.7          | 43.9           |
| Adjusted net income (loss) per diluted share <sup>(1)</sup> | \$ (0.21)     | \$ 0.09        | \$ 0.96       | \$ 0.46        | \$ (0.15)     | \$ 0.09        | \$ 0.58       | \$ 0.29        |

<sup>(1)</sup> Adjusted EBIT and adjusted net income (loss) per diluted share are non-IFRS financial measures. See "Non-IFRS Financial Measures" for a description of these measures and a reconciliation to the nearest IFRS measure.

Revenue in our wholesale segment is highest in our second and third quarters as we fulfill wholesale customer orders in time for the Fall and Winter retail seasons, and, in our DTC segment, in the third and fourth quarters. Our net income is typically reduced or negative in the first and fourth quarters as we invest ahead of our most active season.

### Revenue

Over the last eight quarters, revenue has been impacted by the following:

- timing of retail store openings;
- launch of e-commerce in Asia and Europe;
- customer demand and increased manufacturing efficiency which has an impact on the timing of execution of wholesale deliveries;
- timing of end-consumer purchasing in the DTC segment and availability of new product offering;
- successful execution of global pricing strategy;
- shift in mix of revenue from wholesale to DTC, with the result that total revenue and profitability are increasingly concentrated in the third quarter;
- shift in geographic mix of sales to increase sales outside of Canada;
- fluctuation of foreign currencies relative to the Canadian dollar; and

- acquisition of Baffin on November 1, 2018.

#### Net Income (Loss)

Over the last eight quarters, net income (loss) has been affected by the following factors:

- impact of the items affecting revenue, as discussed above;
- increase and timing of our investment in brand, marketing, and administrative support as well as increased investment in property, plant, and equipment and intangible assets to support growth initiatives;
- increase in fixed SG&A costs associated with our business, particularly the headcount growth and premises costs associated with our expanding DTC channel, resulting in reduced or negative net income in our seasonally low-revenue first and fourth quarters;
- impact of foreign exchange;
- higher average cost of borrowings to address growing net working capital requirements and higher seasonal borrowings in the first and second quarters of each fiscal year to address the seasonal nature of revenue;
- pre-store opening store costs incurred and timing of leases signed and retail store openings;
- beginning in the first quarter of fiscal 2020, the adoption of the IFRS 16 lease accounting standard with no restatement of prior reporting periods, as permitted by the standard;
- the nature and timing of transaction costs in connection with secondary offerings of shares, the Baffin acquisition, and amendments to long-term debt agreements; and
- proportion of taxable income in non-Canadian jurisdictions.

#### NON-IFRS FINANCIAL MEASURES

| CAD \$ millions (except per share data)       | For the first quarter ended June |           |
|---|----------------------------------|-----------|
|   | 2019                             | 2018      |
| EBIT  | (27.5)                           | (19.9)    |
| Adjusted EBIT                                 | (25.9)                           | (17.3)    |
| Adjusted EBIT margin                          | (36.4)%                          | (38.7)%   |
| EBITDAR                                       | (14.2)                           | (10.7)    |
| Adjusted EBITDAR                              | (14.9)                           | (8.3)     |
| Adjusted net loss                             | (22.8)                           | (16.7)    |
| Adjusted net loss per basic and diluted share | \$ (0.21)                        | \$ (0.15) |

  

| CAD \$ millions     | June 30<br>2019 | June 30<br>2018 | March 31<br>2019 |
|---------------------|-----------------|-----------------|------------------|
| Net debt            | (494.1)         | (213.5)         | (63.8)           |
| Net working capital | 335.6           | 197.7           | 188.0            |

*EBIT, adjusted EBIT, adjusted EBIT margin, EBITDAR, adjusted EBITDAR, adjusted net loss and adjusted net loss per basic and diluted share*

EBIT, adjusted EBIT, adjusted EBIT margin, adjusted net income (loss) and adjusted net income (loss) per basic and diluted share are financial measures that are not defined under IFRS. We use these non-IFRS financial measures and believe they enhance an investor's understanding of our financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments we believe are not reflective of our ongoing operations and our performance. Accordingly, we use these metrics to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees. In addition, we believe investors use both IFRS and non-IFRS measures (EBIT, adjusted EBIT, adjusted EBIT margin, adjusted net income (loss) and adjusted net income (loss) per basic and diluted share) to assess management's past, current and future decisions associated with our priorities and our allocation of capital, as well as to analyze how our business operates in, or responds to, swings in economic cycles or to other events that impact the apparel industry. However, these measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies in our industry. These financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as measures of liquidity.

In prior periods, the Company reported EBITDA, adjusted EBITDA and EBITDA margin as operating performance measures. Upon adoption of IFRS 16 for lease accounting for fiscal 2020 and future years, the Company has replaced EBITDA, adjusted EBITDA and EBITDA margin with EBIT, adjusted EBIT, adjusted EBIT margin in its non-IFRS disclosure. With the capitalization of right of use assets and lease liabilities and the replacement of rent expense with depreciation and interest, the Company believes that EBITDA measures will no longer be meaningful for assessing operating profit and operating profitability.

For purposes of reporting net debt leverage, the Company has substituted adjusted EBITDAR (earnings before interest, taxes, depreciation, amortization and rent expense) for EBITDA to improve comparability between fiscal periods before and after the adoption of IFRS 16 for lease accounting.

EBIT, adjusted EBIT, adjusted EBIT margin, EBITDAR, adjusted EBITDAR, adjusted net income (loss) and adjusted net income (loss) per basic and diluted share have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under IFRS. For example, these financial measures:

- exclude certain tax and rent payments that may reduce cash available to us;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our net working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt.

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

#### *Constant currency revenue*

Because we are a global company, the comparability of revenue reported in Canadian dollars is also affected by foreign currency exchange rate fluctuations when the underlying currencies in which we transact change in value over time compared to the Canadian dollar. These currencies include the U.S. dollars, euros, British pounds sterling, Swiss francs, Chinese yuan and Hong Kong dollars. These rate fluctuations can have a significant effect on our reported results. Therefore, in addition to financial measures prepared in accordance with IFRS, our revenue discussions often contain references to constant currency measures, which are calculated by translating the prior year reported amounts into comparable amounts using a single foreign exchange rate for each currency calculated based on the current period exchange rates<sup>(1)</sup>. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. We present constant currency financial information, which is a non-IFRS financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework to assess how our business segments performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. See the Revenue section of the “Results of Operations” for a reconciliation of reported revenue and revenue on a constant currency basis.

Other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

<sup>(1)</sup> *In prior periods, we calculated the change in revenue expressed in constant currency by applying the prior period exchange rates to current period revenue.*

#### *Net debt and net debt leverage*

Net debt and net debt leverage are financial measures that are not defined under IFRS. We use, and believe that certain investors and analysts use, these non-IFRS financial measures to determine a company's financial leverage and ability to meet its debt obligations. We define net debt as total indebtedness, net of cash, and net debt leverage as the ratio of net debt to adjusted EBITDAR, both measured on a trailing twelve month basis using financial information reported each quarter. These measures should not be considered in isolation or as a substitute for any standardized measure under IFRS. See “Indebtedness” below for a table providing the calculation of net debt and discussion of net debt leverage.

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

#### *Net working capital and net working capital turnover*

Net working capital and net working capital turnover are financial measures not defined under IFRS. We use, and believe that certain investors and analysts use, this information to assess the Company's liquidity and management of net working capital resources. We define net working capital as current assets, net of cash, minus current liabilities, excluding the current portion of lease liabilities. Net working capital turnover is the ratio of average net working capital to revenue, both measured on a trailing twelve month basis using financial information reported each quarter. These

measures should not be considered in isolation or as a substitute for any standardized measure under IFRS. See “Financial Condition, Liquidity and Capital Resources” below for a table providing the calculation of net working capital.

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.



The tables below reconcile net income to EBIT, adjusted EBIT, EBITDAR, adjusted EBITDAR, and adjusted net loss for the periods indicated. Adjusted EBIT margin is equal to adjusted EBIT for the period presented as a percentage of revenue for the same period.

| CAD \$ millions   | For the first quarter ended June |         |
|---|----------------------------------|---------|
|   | 2019                             | 2018    |
| <b>Net loss</b>   | (29.4)                           | (18.7)  |
| <i>Add (deduct) the impact of:</i>                                |                                  |         |
| Income tax recovery   | (10.3)                           | (4.3)   |
| Net interest and other finance costs                              | 12.2                             | 3.1     |
| <b>EBIT</b>   | (27.5)                           | (19.9)  |
| Offering costs (a)  | —                                | 1.2     |
| Costs of the Baffin acquisition (b)                               | 0.5                              | —       |
| Unrealized foreign exchange (gain) loss on Term Loan Facility (c) | (1.5)                            | 0.4     |
| Share-based compensation (d)                                      | 0.3                              | 0.8     |
| Pre-store opening costs (e)                                       | 2.3                              | 0.2     |
| Total adjustments   | 1.6                              | 2.6     |
| <b>Adjusted EBIT</b>  | (25.9)                           | (17.3)  |
| <i>Adjusted EBIT margin</i>                                       | (36.4)%                          | (38.7)% |
| <i>Add the impact of:</i>   |                                  |         |
| Depreciation and amortization                                     | 13.3                             | 4.4     |
| Rent expense  | —                                | 4.8     |
| <b>EBITDAR</b>  | (14.2)                           | (10.7)  |
| <b>Adjusted EBITDAR<sup>(1)</sup></b>                             | (14.9)                           | (8.3)   |

<sup>(1)</sup> Adjusted EBITDAR is calculated as EBITDAR, adjusted for items (a) to (d) above.

| CAD \$ millions   | For the first quarter ended June |        |
|---|----------------------------------|--------|
|   | 2019                             | 2018   |
| <b>Net loss</b>   | (29.4)                           | (18.7) |
| <i>Add (deduct) the impact of:</i>                                |                                  |        |
| Offering costs (a)  | —                                | 1.2    |
| Costs of the Baffin acquisition (b)                               | 0.5                              | —      |
| Unrealized foreign exchange (gain) loss on Term Loan Facility (c) | (1.5)                            | 0.4    |
| Share-based compensation (d)                                      | 0.3                              | 0.8    |
| Pre-store opening costs (f)                                       | 2.8                              | 0.2    |
| Acceleration of unamortized costs on term loan refinancing (g)    | 7.0                              | —      |
| <b>Total adjustments</b>  | 9.1                              | 2.6    |
| Tax effect of adjustments   | (2.5)                            | (0.6)  |
| <b>Adjusted net loss</b>  | (22.8)                           | (16.7) |

- (a) In connection with the Secondary Offering completed in June 2018, we incurred expenses related to professional fees, consulting, legal, and accounting that would otherwise not have been incurred.
- (b) Represents costs in connection with the Baffin acquisition and the impact of gross margin that would otherwise have been recognized on inventory recorded at net realizable value less costs to sell.
- (c) Represents unrealized gains and losses on the translation of the Term Loan Facility from USD to CAD, net of the effect of derivative transactions entered into to hedge a portion of the exposure to foreign currency exchange risk.
- (d) Represents non-cash share-based compensation expense on stock options issued prior to the Company's initial public offering ("IPO") under the Legacy Plan (as defined below) of \$0.1m (2018 - \$0.2m) and cash payroll taxes paid by the Company of \$0.2m (2018 - \$0.6m) on gains earned by option holders (compensation) when stock options are exercised.
- (e) Represents costs incurred during pre-opening periods for new stores, including depreciation of right-of-use assets in 2019 and rent expense in 2018.
- (f) Represents costs incurred in (e) above plus interest on lease liabilities in 2019.
- (g) Represents the non-cash unamortized costs accelerated in connection with the amendments to the Term Loan Facility.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition

The following table represents our net working capital<sup>(1)</sup> position as at June 30, 2019 and 2018 and March 31, 2019.

| CAD \$ millions  | June 30, 2019 | June 30, 2018 | \$<br>Change | March 31, 2019 | \$<br>Change |
|--|---------------|---------------|--------------|----------------|--------------|
| Current assets, net of cash                                      | 447.1         | 292.3         | 154.8        | 324.6          | 122.5        |
| Current liabilities, net of current portion of lease liabilities | 111.5         | 94.6          | (16.9)       | 136.6          | 25.1         |
| Net working capital  | <u>335.6</u>  | <u>197.7</u>  | <u>137.9</u> | <u>188.0</u>   | <u>147.6</u> |

<sup>(1)</sup> Net working capital and net working capital turnover are non-IFRS financial measures. See "Non-IFRS Financial Measures" for a description of this measure.

As at June 30, 2019, we had \$335.6m of net working capital compared to \$197.7m of net working capital as at June 30, 2018. The \$137.9m increase arose primarily from an increased volume of business, in particular growth in our DTC channel, including a \$126.6m increase in inventory on hand in anticipation of growth in all channels and the expansion of our global store network, and an \$18.9m increase in trade receivables as a result of increased wholesale sales in the period. This was offset by an increase in accounts payable and accrued liabilities of \$10.0m. Net working capital includes balances for Baffin as at June 30, 2019. Inventories in the quarter rose by 37.0%

(2018 - 44.9%) as we have been successful in accelerating production following expansion of our capacity. Net working capital as a percentage of revenue was 29.4% on a trailing twelve month basis as at June 30, 2019, using financial information reported each quarter.

As at June 30, 2019, we had \$335.6m of net working capital compared to \$188.0m of net working capital as at March 31, 2019. The \$147.6m increase in our net working capital arose primarily from a \$98.8m increase in inventory from higher production in anticipation of growing customer demands, a \$10.9m increase in trade receivables, a \$12.5m decrease in income taxes payable, and a \$10.4m decrease in accounts payable and accrued liabilities.

### **Cash Flows**

A summary of the Company's consolidated statement of cash flows for the first quarter ended June 2019 compared to the first quarter ended June 2018 is set out below.

| <b>CAD \$ millions</b>                                    | <b>For the first quarter ended June 2019</b> |             | <b>\$ Change</b> |
|---|--|-------------|------------------|
|   | <b>2019</b>                                  | <b>2018</b> |                  |
| Total cash provided by (used in):                         |  |             |                  |
| Operating activities                                      | (180.3)                                      | (154.5)     | (25.8)           |
| Investing activities                                      | (5.2)  | (4.9)       | (0.3)            |
| Financing activities                                      | 121.5  | 79.3        | 42.2             |
| Effects of foreign currency exchange rate changes on cash | 0.4  | (0.6)       | 1.0              |
| Decrease in cash  | (63.6)                                       | (80.7)      | 17.1             |
| Cash, beginning of period                                 | 88.6   | 95.3        | (6.7)            |
| Cash, end of period                                       | 25.0   | 14.6        | 10.4             |

### **Cash Requirements**

Our primary need for liquidity is to fund net working capital, capital expenditure, debt service, and general corporate requirements of our business. Our primary source of liquidity to meet our cash requirements is cash generated from operating activities over our annual operating cycle. We also maintain the Revolving Facility to provide short-term liquidity and to have funds available for net working capital. Our ability to fund our operations, invest in planned capital expenditures, meet debt obligations, and repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject, but not limited to, prevailing economic, financial, and business conditions, some of which are beyond our control. Cash generated from operating activities is significantly impacted by the seasonality of our business. Cash flows from operating activities are typically highest in the third and fourth quarters of the fiscal year due to reduced net working capital requirements during these periods and the collection of receivables from revenue earlier in the year. The Company has also benefited from a more rapid cash conversion cycle in its DTC segment as that channel continues to grow.

### **Cash flows from operating activities**

Cash used in operating activities for the first quarter ended June 2019 was \$180.3m compared to \$154.5m for the first quarter ended June 2018. The increase of \$25.8m in cash outflows from operating activities was primarily due to an increase in funds used to produce inventory (\$25.4m)

in anticipation of growing customer demand and an increase in accounts receivable (\$10.2m), offset by an increase in accounts payable and accrued liabilities (\$12.5m).

#### *Cash flows from investing activities*

Cash used in investing activities for the first quarter ended June 2019 was \$5.2m compared to \$4.9m for the first quarter ended June 2018. The increase in cash used in investing activities of \$0.3m relates primarily to investments in information technology and product development, outflows for retail store construction, and capital additions for manufacturing capacity. The construction of new stores to be opened in fiscal 2020 is underway, but has had a limited impact on the Company's cash flows in the first quarter ended June 2019.

#### *Cash flows from financing activities*

Cash generated from financing activities for the first quarter ended June 2019 was \$121.5m compared to \$79.3m for the first quarter ended June 2018. The increase in cash generated for financing activities of \$42.2m was primarily related to \$83.8m of higher borrowings on the Revolving Facility, \$4.6m on the settlement of Term Loan Facility derivative contracts, offset by \$38.7m of payments for the purchase and cancellation of subordinate voting shares and \$5.0m of principal paid on lease liabilities.

#### **Indebtedness**

The following table presents our net debt<sup>(1)</sup> as at June 30, 2019 and 2018 and March 31, 2019.

| <b>CAD \$ millions</b> | <b>June 30, 2019</b> | <b>June 30, 2018</b> | <b>\$<br/>Change</b> | <b>March 31, 2019</b> | <b>\$<br/>Change</b> |
|------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| Cash                   | 25.0                 | 14.6                 | 10.4                 | 88.6                  | (63.6)               |
| Revolving Facility     | (161.4)              | (78.6)               | (82.8)               | —                     | (161.4)              |
| Term Loan Facility     | (149.0)              | (149.5)              | 0.5                  | (152.4)               | 3.4                  |
| Lease liabilities      | (208.7)              | —                    | (208.7)              | —                     | (208.7)              |
| Net debt               | <u>(494.1)</u>       | <u>(213.5)</u>       | <u>(280.6)</u>       | <u>(63.8)</u>         | <u>(430.3)</u>       |

<sup>(1)</sup> Net debt and net debt leverage are non-IFRS financial measures. See "Non-IFRS Financial Measures" for a description of these measures.

As at June 30, 2019, net debt was \$494.1m compared to \$213.5m as at June 30, 2018. The increase of \$280.6m was due primarily to recognition of lease liabilities of \$208.7m as a result of the adoption of IFRS 16, higher borrowings on the Revolving Facility and higher cash of \$10.4m as at June 30, 2019. Average net debt represents net debt leverage of 0.9 times adjusted EBITDAR for the trailing twelve months ended June 30, 2019. Net debt leverage as at June 30, 2019 was 2.0 times adjusted EBITDAR, including the recognition of lease liabilities effective April 1, 2019.

Net debt as at June 30, 2019 was \$494.1m compared to \$63.8m as at March 31, 2019. The increase in net debt of \$430.3m was due to recognition of \$208.7m of lease liabilities, borrowings of \$161.4m under the Revolving Facility and a \$63.6m decrease in cash.

### *Amendments to long-term debt agreements*

On May 10, 2019, the Company entered into agreements with its lenders to amend the terms of its Revolving Facility and Term Loan Facility. The amendment to the Revolving Facility increased the credit commitment amount to \$300.0m with a seasonal increase of up to \$350.0m during the peak season (June 1 through November 30) and extended the maturity date from June 3, 2021 to June 3, 2024. The amendment to the Term Loan Facility lowered the interest rate from LIBOR plus 4.00% to LIBOR plus 3.50%, and extended the maturity date from December 2, 2021 to December 2, 2024.

#### *Revolving Facility*

The Company has an agreement with a syndicate of lenders for a senior secured asset-based Revolving Facility in the amount of \$300.0m with an increase in commitments to \$350.0m during the peak season (June 1 - November 30) (prior to the amendment - \$200.0m with an increase in commitments to \$250.0m during the peak season). The revolving credit commitment also includes a letter of credit commitment in the amount of \$25.0m, with a \$5.0m sub-commitment for letters of credit issued in a currency other than Canadian dollars, U.S. dollars, euros or British pounds sterling, and a swingline commitment for \$25.0m. Amounts owing under the Revolving Facility can be drawn in Canadian dollars, U.S. dollars, euros, British pounds sterling or other currencies. The revolving facility matures on June 3, 2024. Amounts owing under the Revolving Facility may be borrowed, repaid and re-borrowed for general corporate purposes.

Loans under the Revolving Facility, at our option, may be maintained from time to time as (a) Prime Rate Loans, which bear interest at a rate per annum equal to the Applicable Margin for Prime Rate Loans plus the Prime Rate, (b) Banker's Acceptances funded on a discounted proceeds basis given the published discount rate plus a rate per annum equal to the Applicable Margin for stamping fees, (c) ABR Loans, which bear interest at a rate per annum equal to the Applicable Margin for ABR Loans plus the ABR, (d) European Base Rate Loans, which bear interest at a rate per annum equal to the Applicable Margin for European Base Rate Loans plus the European Base Rate, (e) LIBOR Loans, which bear interest at a rate per annum equal to the Applicable Margin for LIBOR Loans plus the LIBOR Rate or (f) EURIBOR Loans, which bear interest at a rate per annum equal to the Applicable Margin for EURIBOR Loans plus the applicable EURIBOR.

A commitment fee will be charged on the average daily unused portion of the Revolving Facility of 0.25% per annum if average utilization under the Revolving Facility is greater than 50% or 0.375% if average utilization under the Revolving Facility is less than 50%. A letter of credit fee, with respect to standby letters of credit, will accrue on the aggregate face amount of outstanding letters of credit under the Revolving Facility equal to the Applicable Margin for LIBOR Loans, and, with respect to trade or commercial letters of credit, 50% of the then Applicable Margin on LIBOR Loans. A fronting fee will be charged on the aggregate face amount of outstanding letters of credit equal to 0.125% per annum. In addition, we pay the administrative agent under the Revolving Facility a monitoring fee of one thousand dollars per month.

The Revolving Facility contains financial and non-financial covenants which could impact the Company's ability to draw funds. As at and during the fiscal periods ended June 2019 and 2018 and March 31, 2019, the Company was in compliance with all covenants.

The Company incurred transaction costs of \$0.6m in connection with the amendment to the Revolving Facility. Total deferred transaction costs will be amortized over the extended term to maturity of the facility.

As at June 30, 2019, the Company had \$159.6m outstanding under the Revolving Facility, net of deferred transaction costs of \$1.8m (June 30, 2018 - \$76.9m, net of deferred transaction costs of \$1.7m). As at March 31, 2019, the Company had repaid all amounts owing under the Revolving Facility and related deferred transaction costs in the amounts of \$1.2m were included in other long-term liabilities.

The Company has unused borrowing capacity available under the Revolving Facility of \$299.4m as at June 30, 2019 (June 30, 2018 - \$82.4m, March 31, 2019 - \$165.5m).

#### *Term Loan Facility*

The Company has a senior secured loan agreement with a syndicate of lenders that is secured on a split collateral basis alongside the Revolving Facility, with an aggregate principal amount owing of US\$113.8m with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and certain financial institutions as lenders. The Term Loan Facility bears interest at a rate of LIBOR plus an applicable margin of 3.50% (prior to the amendment - LIBOR plus an applicable margin of 4.00%, provided that LIBOR may not be less than 1.00%), payable quarterly or at the end of the then current interest period (whichever is earlier) in arrears. The Term Loan Facility matures on December 2, 2024. Amounts owing under the Term Loan Facility may be repaid at any time without premium or penalty, but once repaid may not be reborrowed. All obligations under the Term Loan Facility are unconditionally guaranteed by the Company and, subject to certain exceptions, our U.S., U.K. and Canadian subsidiaries. The Term Loan Facility provides for customary events of default.

The Company has pledged substantially all of its assets as collateral for the Term Loan Facility. The Term Loan Facility contains financial and non-financial covenants. As at and during the fiscal periods ended June 2019 and 2018 and March 31, 2019, the Company was in compliance with all covenants.

The Company determined that the amendments to the Term Loan Facility are equivalent to a prepayment at no cost of the original Term Loan Facility and the origination of the amended Term Loan Facility at market conditions. The Company has accounted for the amendments to the Term Loan Facility as a debt extinguishment and re-borrowing of the loan amount. The original Term Loan Facility in the amount of \$151.7m (US\$113.8m) and related unamortized costs of \$7.0m have been derecognized. The acceleration of unamortized costs is included in net interest and other finance costs in the statement of income.

The Company incurred transaction costs of \$1.4m in connection with the amendment to the Term Loan Facility, which will be amortized over the new term to maturity using the effective interest rate method.

As the Term Loan Facility is denominated in U.S. dollars, the Company remeasures the outstanding balance in Canadian dollars at each balance sheet date. As at June 30, 2019, we had \$149.0m aggregate principal amount outstanding under the Term Loan Facility (June 30, 2018 - \$149.5m, March 31, 2019 - \$152.4m). The difference in amounts in these periods is the result of the change in the CAD:USD exchange rate.

### *Lease Liabilities*

As a result of the adoption of IFRS 16, the Company recognized \$150.8m on April 1, 2019 and had \$208.7m of lease liabilities as at June 30, 2019, of which \$28.1m are due within one year. Lease liabilities represent the discounted amount of future payments under leases for right-of use assets.

### **Capital Management**

The Company manages its capital, which consists of equity (subordinate voting shares and multiple voting shares) and long-term debt (the Revolving Facility and the Term Loan Facility), with the objectives of safeguarding sufficient net working capital over the annual operating cycle and providing sufficient financial resources to grow operations to meet long-term consumer demand. Management targets a ratio of trailing twelve months adjusted EBITDAR to net debt, reflecting the seasonal change in the business as net working capital builds through the second fiscal quarter. The Board of Directors of the Company monitors the Company's capital management on a regular basis. We will continually assess the adequacy of the Company's capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and risk characteristics of the business.

### *Normal course issuer bid*

The Board of Directors has authorized the Company to initiate a normal course issuer bid, in accordance with the requirements of the Toronto Stock Exchange, to purchase up to 1,600,000 subordinate voting shares over the 12-month period from May 31, 2019 to May 30, 2020. Purchased subordinate voting shares will be cancelled.

During the first quarter ended June 2019, the Company purchased 853,500 subordinate voting shares for cancellation at an average price per share of \$45.35 for total cash consideration of \$38.7m. The amount paid to purchase subordinate voting shares has been charged to share capital at the average share capital amount per share outstanding of \$1.6m, with the remaining \$37.1m charged to retained earnings.

## Contractual Obligations

The following table summarizes certain of our significant contractual obligations and other obligations as at June 30, 2019:

| CAD \$ millions  | Q2 to Q4<br>2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | Thereafter | Total |
|--|------------------|---------|---------|---------|---------|---------|------------|-------|
|  | \$               | \$      | \$      | \$      | \$      | \$      | \$         | \$    |
| Accounts payable and accrued liabilities                       | 100.0            | —       | —       | —       | —       | —       | —          | 100.0 |
| Revolving Facility   | —                | —       | —       | —       | —       | 161.4   | —          | 161.4 |
| Term Loan Facility   | —                | —       | —       | —       | —       | 149.0   | —          | 149.0 |
| Note payable   | —                | 3.0     | —       | —       | —       | —       | —          | 3.0   |
| Interest commitments relating to long-term debt <sup>(1)</sup> | 10.7             | 14.3    | 14.3    | 14.3    | 14.3    | 6.8     | —          | 74.7  |
| Foreign exchange forward contracts                             | —                | —       | —       | —       | —       | 2.0     | —          | 2.0   |
| Lease obligations  | 28.3             | 39.6    | 39.2    | 41.5    | 38.9    | 38.6    | 75.6       | 301.7 |
| Pension obligation   | —                | —       | —       | —       | —       | —       | 2.2        | 2.2   |
| Total contractual obligations                                  | 139.0            | 56.9    | 53.5    | 55.8    | 53.2    | 357.8   | 77.8       | 794.0 |

<sup>(1)</sup> Interest commitments are calculated based on the loan balance and the interest rate payable on the Revolving Facility and the Term Loan Facility of 3.38% and 5.94%, respectively, as at June 30, 2019.

As at June 30, 2019, we had additional liabilities which included provisions for warranty, agent termination fees, sales returns, asset retirement obligations, and deferred income tax liabilities. These long-term liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

### Outstanding Share Capital

Canada Goose is a publicly traded company and the subordinate voting shares are listed on the New York Stock Exchange (NYSE: GOOS) and on the Toronto Stock Exchange (TSX: GOOS). As at August 9, 2019, there were 58,517,698 subordinate voting shares issued and outstanding, and 51,004,076 multiple voting shares issued and outstanding.

As at August 9, 2019, there were 2,306,108 options and 38,043 restricted share units outstanding under the Company's equity incentive plans, of which 922,258 options were vested as of such date. Each option is exercisable for one subordinate voting share. We expect that vested restricted share units will be paid at settlement through the issuance of one subordinate voting share per restricted share unit.



## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks arising from transactions in the normal course of our business. Such risk is principally associated with foreign currency exchange rates and interest rates.

### **Foreign exchange risk**

#### *Foreign exchange risk in operating cash flows*

Our Interim Financial Statements are expressed in Canadian dollars, but a portion of the Company's net assets are denominated in foreign currencies, primarily U.S. dollars, euros, British pounds sterling, Swiss francs, Chinese yuan, Hong Kong dollars and Swedish krona through its foreign operations in the U.S., U.K., France, Switzerland, Hong Kong, China and Sweden. Furthermore, as our business in Greater China grows, transactions in Chinese yuan and Hong Kong dollars will increase. Net monetary assets denominated in currencies other than Canadian dollars that are held in entities with Canadian dollar functional currency are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, we are exposed to foreign currency translation gains and losses. Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. Appreciating foreign currencies relative to the Canadian dollar will positively impact operating income and net income by increasing our revenue, while depreciating foreign currencies relative to the Canadian dollar will have the opposite impact.

We are also exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net income by increasing our costs of raw materials, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact.

Since fiscal 2016, we entered into derivative instruments in the form of forward contracts to manage the majority of our current and anticipated exposure to fluctuations in the U.S. dollar, euro, British pounds sterling, Swiss franc, Chinese yuan, Hong Kong dollars and Swedish krona exchange rates for revenues and purchases. Beginning in fiscal 2017, certain foreign exchange forward contracts have been designated and accounted for as cash flow hedges.

A summary of foreign currency forward exchange contracts and the corresponding amounts as at June 30, 2019 is as follows:

| (in millions)                                 | Contract Amount |       | Primary Currency        |
|---|-----------------|-------|-------------------------|
| Forward contract to purchase Canadian dollars | US\$            | 229.9 | U.S. dollars            |
|   | €               | 97.9  | Euros                   |
| Forward contract to sell Canadian dollars     | US\$            | 114.2 | U.S. dollars            |
|   | €               | 33.4  | Euros                   |
| Forward contract to purchase Euros            | CHF             | 3.3   | Swiss francs            |
|   | CNY             | 762.1 | Chinese yuan            |
|   | £               | 58.3  | British Pounds sterling |
|   | HKD             | 119.0 | Hong Kong dollars       |
|   | SEK             | 10.5  | Swedish Krona           |
| Forward contract to sell Euros                | CHF             | 16.6  | Swiss francs            |
|   | £               | 3.6   | British Pounds sterling |

*Foreign exchange risk on long-term debt*

Amounts available for borrowing under the Term Loan Facility and part of our Revolving Facility are denominated in U.S. dollars. Based on our outstanding balances of \$149.0m (US\$113.8m) under the Term Loan Facility as at June 30, 2019, a \$0.01 depreciation in the value of the Canadian dollar compared to the U.S. dollar would result in a decrease in our pre-tax income of \$1.1m solely as a result of that exchange rate fluctuation's effect on the debt. The outstanding balance on the U.S. portion of our Revolving Facility is \$55.0m and a \$0.01 depreciation in the value of the Canadian dollar compared to the U.S. dollar would result in a decrease in our pre-tax income of \$0.6m solely as a result of that exchange rate fluctuation's effect on the debt.

The Company hedges a portion of its exposure to foreign currency exchange risk on principal and interest payments related to its U.S. dollar denominated Term Loan Facility.

The Company entered into a cross-currency swap by selling \$93.0m, \$70.0m in equivalent U.S. dollars, floating rate debt bearing interest at LIBOR plus 3.50% as measured on the trade date, and receiving \$93.0m fixed rate debt bearing interest at a rate of 5.02%. This cross-currency swap has been designated at inception and is accounted for as a cash flow hedge, and to the extent that the hedge is effective, unrealized gains and losses are included in other comprehensive income until reclassified to the statement of income as the hedged interest payments and principal repayments (or periodic remeasurements) impact net income.

Concurrently, the Company entered into a second cross-currency swap by selling the \$93.0 fixed rate debt bearing interest at a rate of 5.02% and receiving \$93.0m, or €61.8m in equivalent Euro-denominated fixed rate debt bearing interest at a rate of 3.19%. This cross-currency swap has been designated and is accounted for as a hedge of the net investment in its European subsidiary. Hedges of net investments are accounted for similarly to cash flow hedges, with unrealized gains and losses included in other comprehensive income. Amounts included in other comprehensive

income are reclassified to net income in the period when the foreign operation is disposed of or sold.

The Company also entered into a long-dated forward exchange contract to buy \$39.6m, or \$30.0m in equivalent U.S. dollars as measured on the trade date, to fix the foreign exchange risk on term loan borrowings over the revised term to maturity (December 2, 2024). Unrealized gains and losses in the fair value of the forward contract are recognized in selling, general and administrative expenses in the statement of income.

#### ***Interest rate risk***

We are exposed to interest rate risk primarily related to the effect of interest rate changes on borrowings outstanding under our Revolving Facility and Term Loan Facility. As at June 30, 2019, the Company had \$161.4m outstanding under our Revolving Facility with a weighted average interest rate of 3.38% and an amount owing under our Term Loan Facility was \$149.0m which currently bears interest at 5.94%. Based on the weighted average amount of outstanding borrowings under the Revolving Facility during the first quarter ended June 2019, a 1.00% increase in the average interest rate on our borrowings would have increased interest expense by \$0.1m in the period. Correspondingly, a 1.00% increase in the rate on our Term Loan Facility would have increased interest expense by an additional \$0.4m. The impact on future interest expense because of future changes in interest rates will depend largely on the gross amount of our borrowings at that time.

#### **RELATED PARTY TRANSACTIONS**

The Company enters into transactions from time to time with its principal shareholders and organizations affiliated with members of its Board of Directors by incurring expenses for business services. During the first quarter ended June 2019, the Company incurred expenses with related parties of \$0.2m (first quarter ended June 2018 - less than \$0.1m) to companies related to certain shareholders. Balances owing to related parties as at June 30, 2019 were \$0.4m (June 30, 2018 - less than \$0.1m).

Transactions with the Baffin Vendor and other affiliates in connection with the acquisition and subsequently (including lease of premises and other operating costs) are related party transactions. With the initial application of IFRS 16, the Company has recognized a lease liability to the Baffin Vendor for the leased premises; the lease liability as at June 30, 2019 was \$5.8m. The Company has paid principal and interest on the lease liability and other operating costs to entities affiliated with the Baffin Vendor totalling \$0.3 in the first quarter ended June 2019. Furthermore, In connection with the acquisition of Baffin, \$3.0m is payable to the Baffin Vendor on November 1, 2020 and is being charged to expense over two years.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Interim Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are more fully described in the notes to our Annual Financial Statements and Interim Financial Statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

The Company has adopted IFRS 16, *Leases* effective April 1, 2019. See “Changes in Accounting Policies” below for a description of the impact from adopting these new standards.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that we believe could have the most significant impact on the amounts recognized in the Interim Financial Statements.

*Revenue recognition.* Revenue comprises of the consideration to which the Company expects to be entitled in exchange for the sale of goods in the ordinary course of the Company's activities. Revenue is presented net of sales tax, estimated returns, sales allowances, and discounts. The Company recognizes revenue when the Company has agreed terms with its customers, the contractual rights and payment terms have been identified, the contract has commercial substance, it is probable that consideration will be collected by the Company, and when specific criteria for transfer of control to the customer have been met for each of the Company's activities, as described below.

- i) DTC revenue consists of sales through the Company's e-commerce operations and Company-owned retail stores. Sales through e-commerce operations are recognized upon estimated delivery of the goods to the customer, net of an estimated provision for sales returns, when control of the goods has transferred from the Company to the customer. Sales through our retail stores are recognized delivery to the customer at the point of sale, net of an estimated provision for sales returns.

It is the Company's policy to sell merchandise through the DTC channel with a limited right to return, typically within 30 days. Accumulated experience is used to estimate and provide for such returns.

- ii) Wholesale revenue comprises sales of the Company's products to third party resellers (which includes international distributors and retailers). Wholesale revenue from the sale of goods is recognized when the control of the goods has been transferred to the reseller, which depends on the precise terms of the agreement with each reseller, net of an estimated provision for sales returns.

The Company, at its discretion, may cancel all or a portion of any firm wholesale sales order. The Company is therefore obligated to return any prepayments or deposits made by resellers for which the product is not provided. All advance payments are therefore included in accrued liabilities in the statement of financial position.

The Company's warranty obligation is to provide an exchange or repair for manufacturing defective products under the standard warranty terms and conditions. The warranty obligation is recognized as a provision when goods are sold.

*Inventories.* Inventories are carried at the lower of cost and net realizable value which requires us to use estimates related to fluctuations in obsolescence, shrinkage, future retail prices, seasonality and costs necessary to sell the inventory.

We periodically review our inventories and make provisions as necessary to appropriately value obsolete or damaged raw materials and finished goods. In addition, as part of inventory valuations, we accrue for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

*Impairment of non-financial assets (goodwill, intangible assets, and property, plant and equipment).* We are required to use judgment in determining the grouping of assets to identify their cash generating units ("CGU") for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. For the purpose of goodwill and intangible assets' impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. We determine value-in-use by using estimates including projected future revenues, earnings, working capital and capital investment consistent with strategic plans presented to the board of directors of the Company. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

*Income and other taxes.* Current and deferred income taxes are recognized in the consolidated statements of income and comprehensive income, except when it relates to a business combination, or items recognized in equity or in other comprehensive income. Application of judgment is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the tax authorities in the various jurisdictions in which the Company operates.

*Functional currency.* Items included in the consolidated financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is our functional and presentation currency.

*Change in functional currency of subsidiary.* Each entity within the Company determines its functional currency based on the primary economic environment in which the entity operates. Once an entity's functional currency is determined, it is not changed unless there is a change to the underlying transactions, events and conditions that determine the entity's primary economic environment.

Up until March 31, 2019, the functional currency of Canada Goose US, Inc., the operating subsidiary in the United States, was determined to be Canadian dollars because its wholesale operations were carried out as an extension of the business of the Canadian parent and were therefore integrated with the Canadian operations.

The US subsidiary is responsible for all of the Company's DTC and Wholesale operations in the United States, which now include substantial retail operations, assets and related lease financing. The Company reassessed the functional currency of the US subsidiary in light of the change in circumstances and determined that is no longer an integral foreign operation and that the primary economic environment in which it operates is the United States; as a result, the functional currency of the US subsidiary has been changed from Canadian dollars to US dollars, effective April 1, 2019. The change has been made on a prospective basis.

*Financial instruments.* Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

We enter into financial instruments with highly-rated creditworthy institutions and instruments with liquid markets and readily-available pricing information.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below.

i) Non-derivative financial assets

Non-derivative financial assets include cash and trade receivables which are measured at amortized cost. The Company initially recognizes receivables and deposits on the date that they are originated. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

ii) Non-derivative financial liabilities

Non-derivative financial liabilities include accounts payable, accrued liabilities, Revolving Facility, and Term Loan Facility. The Company initially recognizes debt instruments issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument. When a derivative financial instrument, including an embedded derivative, is not designated and effective in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the statement of income; attributable

transaction costs are recognized in the statement of income as incurred. The Company does not use derivatives for trading or speculative purposes.

Embedded derivatives are separated from a host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

#### iv) Hedge accounting

The Company is exposed to the risk of currency fluctuations and has entered into currency derivative contracts to hedge its exposure on the basis of planned transactions. Where hedge accounting is applied, the criteria are documented at the inception of the hedge and updated at each reporting date. The Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transactions. The Company also documents its assessment, at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a current asset or liability when the maturity of the hedged item is less than twelve months, and as a non-current asset or liability when the maturity of the hedged item is more than twelve months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized, net of tax, in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income. Amounts accumulated in other comprehensive income are transferred to the statement of income in the periods when the hedged item affects net income. When a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, such as inventory, the amounts included in the measurement of the cost of the related asset or liability. The deferred amounts are ultimately recognized in the statement of income.

Hedges of net investments are accounted for similarly to cash flow hedges, with unrealized gains and losses recognized, net of tax, in other comprehensive income. Amounts included in other comprehensive income are transferred to the statement of income in the period when the foreign operation is disposed of or sold.

*Share-based payments.* Share-based payments are valued based on the grant date fair value of these awards and we record compensation expense over the corresponding service period. The fair value of the share-based payments is determined using acceptable valuation techniques.

The Company has issued stock options to purchase subordinate voting shares under its legacy option plan (the "Legacy Plan") prior to the IPO on March 21, 2017 and stock options and RSUs under its omnibus incentive plan (the "Omnibus Plan") following the IPO. Under the terms of the Legacy Plan, options were granted to certain employees of the Company with vesting contingent upon meeting the service, performance goals and exit event conditions of the Legacy Plan. There are two types of stock options: service-vested options are time based and generally vest over five years of service, and performance-based and exit event options vest upon attainment of performance conditions and the occurrence of an exit event. Under the terms of the Omnibus Plan, options are granted to certain employees of the Company with vesting, generally over four years, contingent upon meeting the service conditions of the Omnibus Plan. RSU's vest over a term of three years. The compensation expense related to the options and RSUs is recognized ratably

over the requisite service period, provided it is probable that the vesting conditions will be achieved and the occurrence of the exist event, if applicable, is probable.

*Warranty.* The critical assumptions and estimates used in determining the warranty provision at the balance sheet date are: number of jackets expected to require repair or replacement; proportion to be repaired versus replaced; period in which the warranty claim is expected to occur; cost of repair; cost of jacket replacement; and risk-free rate used to discount the provision to present value. We review our inputs to this estimate on a quarterly basis to ensure the provision reflects the most current information regarding our products.

*Sales returns.* Sales returns relate primarily to goods sold through the DTC sales channel which have a limited right of return, typically within 30 days. The Company bases its estimate on historical return rates in its e-commerce and retail stores and reviews its actual returns experience periodically to assess the appropriateness of the return rates used.

## **CHANGES IN ACCOUNTING POLICIES**

### *Standards issued and adopted*

#### **Leases**

The Company adopted IFRS 16, *Leases* on April 1, 2019 using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings and no restatement of prior period financial information. Under the modified retrospective approach, the Company measured the right-of-use asset at the carrying value as if the standard had been applied since the commencement date of the lease (typically the possession date), but using the discount rate at the date of initial application.

The Company determined the discount rate at the time of initial adoption to be its incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located.

Substantially all of the Company's leases are real estate leases for retail stores, manufacturing facilities and corporate offices. The Company recognized right-of-use assets and lease liabilities for its leases except as permitted by recognition exemptions in the standard for short-term leases with terms of twelve months or less and leases of low-value assets. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the lease term.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has applied a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has excluded initial direct costs in the measurement of the right-of-use asset on initial application except to the extent that costs, such as lease rights, were recognized under the previous standard;
- the Company has accounted for leases with a remaining term of less than twelve months as at March 31, 2019 as short term leases; and



- the Company has used hindsight in determining the lease term where the lease contain options to extend or terminate the lease.

On the date of initial application, the impact of adopting IFRS 16 on the Company's consolidated balance sheet as at April 1, 2019 was as follows:

### Condensed Financial Position Information

Increase (decrease)

(in millions of Canadian dollars)

|                             | As previously<br>reported, March<br>31, 2019 | IFRS 16 initial<br>application | Reclassification of<br>initial direct costs | Income tax | Balance as at<br>April 1, 2019 -<br>IFRS 16 |
|-----------------------------|--|--------------------------------|---|------------|---|
|                             | \$   | \$                             | \$  | \$         | \$  |
| <b>Assets</b>               |  |                                |   |            |   |
| <b>Current assets</b>       |  |                                |   |            |   |
| Other current assets        | 32.9   | (0.9)                          | —   | —          | 32.0  |
| Deferred income taxes       | 12.2   | —                              | —   | 1.2        | 13.4  |
| Right-of-use assets         | —  | 136.6                          | 5.5   | —          | 142.1                                       |
| Intangible assets           | 155.6  | —                              | (5.5)                                       | —          | 150.1                                       |
| <b>Liabilities</b>          |  |                                |   |            |   |
| <b>Current liabilities</b>  |  |                                |   |            |   |
| Lease liabilities           | —  | 19.2                           | —   | —          | 19.2  |
| Deferred income taxes       | 16.7   | —                              | —   | (0.5)      | 16.2  |
| Lease liabilities           | —  | 131.6                          | —   | —          | 131.6                                       |
| Other long-term liabilities | 13.1   | (8.5)                          | —   | —          | 4.6   |
| <b>Shareholders' equity</b> |  |                                |   |            |   |
| Retained earnings           | 279.7  | (6.6)                          | —   | 1.7        | 274.8                                       |

The Company applied the requirements of IAS 36, *Impairment of assets* as at April 1, 2019 on the right-of-use assets and concluded there was no impairment.

The Company used its incremental borrowing rates as at April 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate was 4.28%. The weighted average lease term remaining as at April 1, 2019 is approximately 8 years.

The following table reconciles the lease liabilities recognized on April 1, 2019 and the operating lease commitments disclosed under IAS 17 as at March 31, 2019 discounted using the incremental borrowing rate as at the date of initial application:

| (in millions of Canadian dollars)                       | \$     |
|---|--------|
| <b>Operating lease commitment as at March 31, 2019</b>  | 253.4  |
| Operating leases  | (3.1)  |
| Leases committed not yet commenced                      | (71.5) |
| <b>Undiscounted lease payments</b>                      | 178.8  |
| Discount at incremental borrowing rate                  | (28.0) |
| <b>Lease liabilities recognized as at April 1, 2019</b> | 150.8  |
| Current lease liabilities                               | 19.2   |
| Non-current lease liabilities                           | 131.6  |
| <b>Total lease liabilities</b>                          | 150.8  |

The adoption of IFRS 16 does not impact the Company's ability to comply with its financial and non-financial covenants as the covenants are calculated as at and during the reporting period in accordance with existing lease guidance applicable at the date of the agreement. As a result of adopting IFRS 16, the Company updated its accounting policies as set out below:

### Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Lease payments for short-term leases with a term of twelve months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in cost of sales or selling, general and administrative expenses on a straight-line or other systematic basis.

#### *Lease liabilities*

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset,

a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

#### *Right-of-use assets*

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

#### *Segment information*

The adoption of IFRS 16 resulted in the Company adjusting its internal financial information used by the chief operating decision maker. Specifically, the change from rent expense recorded on a straight-line basis in selling, general and administrative expense to depreciation on right-of-use assets and interest expense on lease liabilities required a different measurement of segment operating income. As a result, expenses in the Company's operating segments now include depreciation and amortization on assets, including right-of-use assets in the current year, used in those segments. Prior to the first quarter of fiscal 2020 depreciation and amortization was not allocated to the Company's operating segments. Prior period operating income by segment has been restated to include depreciation to conform with the presentation adopted in the current year.

In applying the IFRS 16 standard, the following judgments and key sources of estimation uncertainty have an impact on the amounts recognized in the consolidated financial statements.

*Judgments Made in Relation to Accounting Policies Applied:* The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, at inception and over the term of the lease, including investments in major leaseholds, operating performance and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's statement of financial position.

*Key Sources of Estimation:* The critical assumptions and estimates used in determining the present value of future lease payments requires the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

*Standards issued and not yet adopted*

The IASB has not issued any significant new standards, amendments, and interpretations to existing IFRS standards that impact the Company since the standards described in the most recent annual financial statements for the year ended March 31, 2019. The Company continues to monitor future IFRS changes proposed by the IASB that may have an impact on the results of the Company.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

### **Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures**

We conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), as of June 30, 2019, the end of the period covered by this MD&A. The Disclosure Controls evaluation was completed under the supervision and with the participation of management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that, because of the material weaknesses in our internal control over financial reporting described below in "Changes in Internal Control Over Financial Reporting", our Disclosure Controls were not effective as of June 30, 2019, such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

### **Material Weakness in Internal Control Over Financial Reporting**

In connection with the audit of our consolidated financial statements for the year ended March 31, 2019, we identified material weaknesses in our internal control over financial reporting, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified control deficiencies in aggregate that constitute material weaknesses in four components of internal control as defined by COSO 2013 (Risk Assessment, Control Activities, Information and Communication, and Monitoring). As the Company has experienced significant expansion of operations and revenue growth, we have increased the number of personnel in our organization and specifically in our financial reporting team. Despite this progress, management determined it did not design and maintain effective controls over the following, each of which is a material weakness: (a) the occurrence and accuracy of revenue and the existence of the related accounts receivable, and access controls to customer master data; (b) the existence and valuation of inventory, including inventory costing and access controls to inventory master data; and (c) the accuracy and completeness of information used in the execution of internal controls primarily related to spreadsheets created from data extracted from our enterprise resource planning ("ERP") system. Due to these control deficiencies, a reasonable possibility exists that material misstatements in the Company's financial statements will not be prevented or detected on a timely basis in the future.

## Remediation Plan and Activities

Management has taken the following steps to address the material weaknesses described above:

- Upgraded its enterprise resource planning (“ERP”) system on April 1, 2019, designed with consideration for enhanced system functionality, user roles reflecting segregation of duties, use of reporting tools, and master data management;
- Hired a Vice President of Internal Audit & Loss Prevention at the end of fiscal 2019 to lead the governance and testing of internal controls over financial reporting;
- Hired internal audit personnel globally to support the VP Internal Audit & Loss Prevention; and
- Added control remediation goals to management’s formal performance objectives to increase control accountability and ownership.

Management anticipates taking the following additional steps during fiscal 2020:

- Update its process flows for the change in the business processes and controls as a result of the new ERP system;
- Design and operate controls in the new ERP system related to user provisioning, access, master data management, and reporting;
- Hiring additional employees with financial reporting, internal audit, and internal control remediation expertise and capacity throughout the global organization;
- Training control owners on the control execution and evidencing, particularly in relation to information used in controls; and
- Increasing the frequency of testing of internal controls over financial reporting.

Senior management has discussed the material weaknesses described above with the Audit Committee, which will continue to review progress on these remediation activities.

As the Company continues to evaluate and work to improve its internal control over financial reporting, management may take additional measures to address control deficiencies. The material weaknesses cannot be considered remediated until the applicable relevant controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. No assurance can be provided at this time that the actions and remediation efforts will effectively remediate the material weaknesses described above or prevent the incidence of other material weaknesses in the Company’s internal control over financial reporting in the future. We do not know the specific time frame needed to fully remediate the material weaknesses identified above. Management, including the CEO and CFO, does not expect that disclosure controls and procedures or internal control over financial reporting will prevent all misstatements, even as the remediation measures are implemented and further improved to address the material weaknesses. The design of any system of internal controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions. Nevertheless, management has designed and implemented controls and completed testing wherever possible to mitigate this risk to the extent practicable.

## **Changes in Internal Control over Financial Reporting**

Other than those described above, there have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-5(f) under the Exchange Act) during the first quarter ended June 2019, that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

## CERTIFICATION

I, Dani Reiss, certify that:

1. I have reviewed the financial statements and MD&A for the first quarter ended June 30, 2019 of Canada Goose Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and



5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 14, 2019

By:

/s/ Dani Reiss

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Dani Reiss

*President and Chief Executive Officer*

## CERTIFICATION

I, Jonathan Sinclair, certify that:

1. I have reviewed the financial statements and MD&A for the first quarter ended June 30, 2019 of Canada Goose Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 14, 2019

By:

/s/ Jonathan Sinclair

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Jonathan Sinclair

*Executive Vice President and Chief Financial  
Officer*

# Canada Goose Reports Results for First Quarter Fiscal Year 2020



## First Quarter Fiscal 2020 Highlights (in millions of Canadian dollars):

- **Total revenue increased by 59.1% to \$71.1m**
- **Adjusted EBIT was \$(25.9)m**
- **Net loss was \$(29.4)m, or \$(0.27) per basic and diluted share**
- **Adjusted net loss was \$(22.8)m, or \$(0.21) per basic and diluted share**

*Adjusted EBIT, adjusted net loss and adjusted net loss per basic and diluted share are non-IFRS financial measures. See “Note Regarding Non-IFRS Financial Measures”.*

**TORONTO, ON (August 14, 2019)** - Canada Goose Holdings Inc. (“Canada Goose” or the “Company”) (NYSE:GOOS, TSX:GOOS) today announced financial results for the first quarter ended June 2019. The Company’s Management’s Discussion and Analysis and Unaudited Condensed Consolidated Interim Financial Statements for the first quarter ended June 2019 will be filed on SEDAR at [www.sedar.com](http://www.sedar.com), the EDGAR section of the U.S. Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov) and posted on the Company’s website at [investor.canadagoose.com](http://investor.canadagoose.com).

“Fiscal 2020 is off to a great start with a strong performance in our first quarter, which delivered growth in every geography. As we continue to invest in capacity, we are well positioned to capitalize on the strong demand we see across our business,” stated Dani Reiss, President & CEO. “The affinity and desire we have seen for our seasonally relevant lightweight offerings tells us our product expansion is working, and combined with the volume of highly engaged consumers looking to get ahead of the upcoming Fall / Winter season, we believe our business has never been stronger as we report our smallest fiscal quarter.”

## First Quarter Fiscal 2020 Business Highlights (Compared to First Quarter Fiscal 2019)

- Robust growth in every geographic region, with revenue increasing by 40.4% in Canada, 15.8% in the United States and 79.7% in Europe and Rest of World.
- In Asia, revenue nearly tripled to \$18.1m from \$6.6m. This includes earlier shipments to international distributors in Japan and South Korea, and the incremental contribution of DTC operations in Greater China.
- Increased flexibility through expanded in-house manufacturing capacity to proactively manufacture and ship wholesale orders in Europe and Asia earlier in the year, in response to customer requests.
- Alongside strong pent-up demand for sought after Fall / Winter icons, non-parka revenue nearly doubled, rising to one third of total DTC revenue in the quarter.

## First Quarter Fiscal 2020 Results (in Canadian dollars, compared to First Quarter Fiscal 2019):

- Total revenue increased by 59.1% to \$71.1m from \$44.7m, or 58.6% on a constant currency basis<sup>(1)</sup>.
  - DTC revenue increased to \$34.8m from \$23.2m. The increase was driven by incremental revenue from five new retail stores and one new e-commerce market opened during fiscal 2019.
  - Wholesale revenue increased to \$36.3m from \$21.5m. This was driven by higher order values from existing partners, coupled with customer requests in Europe and Asia for earlier order shipments relative to last year. It also reflects incremental revenue from Baffin, which was acquired in November 2018.
- Gross profit increased to \$40.9m, a gross margin of 57.5%, compared to \$28.6m, a gross margin of 64.0%. The change in gross margin was driven by mix, with a higher proportion of wholesale revenue, and within the channel, a greater share of international distributor revenue due to earlier shipments.
  - DTC gross profit was \$26.0m, a gross margin of 74.7%. This reflects the impact of a greater proportion of revenue from non-parka categories, which have lower margins, partially offset by pricing.
  - Wholesale gross profit was \$14.9m, a gross margin of 41.0%. This reflects a significantly higher proportion of revenue from international distributors. In fiscal 2019, corresponding orders, which have lower margins, were shipped later in the second quarter. Within each category of customer in the channel, gross margins were at a comparable level relative to last year.
- Operating loss was \$(27.5)m, compared to \$(19.9)m. As expected, the increase in operating loss was primarily due to higher corporate SG&A, particularly relating to investments to support growth, and to a lesser degree, a larger retail store opening program.
  - DTC operating profit was \$6.5m, an operating margin of 18.7%. Strong sales productivity across the channel was partially offset by a larger store opening program relative to last year. \$2.3m in pre-store opening costs were incurred for locations not yet open. Excluding pre-store opening costs in both periods, DTC operating margin increased to 25.3% from 21.6%.
  - Wholesale operating income was \$5.0m, an operating margin of 13.8%. The gross margin impact of a higher proportion of shipments to international distributors was partially offset by positive operating leverage, with lower channel SG&A expenses as a percentage of revenue.
  - Unallocated corporate expenses were \$36.9m, compared to \$25.9m. The increase was primarily due to increased investment in marketing, including local market activation ahead of planned retail openings, and incremental costs to support Greater China operations.
  - Unallocated depreciation and amortization expenses were \$2.1m, compared to \$1.5m.
- Net loss was \$(29.4)m, or \$(0.27) per basic and diluted share, compared to \$(18.7)m, or \$(0.17) per basic and diluted share. In addition to the expected increase in operating loss, net loss was impacted by \$7.0m of unamortized costs triggered by the closing of the Term Loan Facility refinancing in May.
- Adjusted EBIT<sup>(1)</sup> was \$(25.9)m, compared to \$(17.3)m.

- Adjusted net loss<sup>(1)</sup> was \$(22.8)m, or \$(0.21) per basic and diluted share, compared to adjusted net loss<sup>(1)</sup> of \$(16.7)m, or \$(0.15) per basic and diluted share.

<sup>(1)</sup> See “*Note Regarding Non-IFRS Financial Measures*”.

## **Fiscal 2020 Outlook**

The Company reiterates the fiscal 2020 outlook and key assumptions underlying such outlook which were issued on May 29, 2019, in the press release announcing the Company’s Results for Fiscal Year 2019 under the heading “Fiscal Year 2020 and Long-Term Outlook”. Within the meaning of applicable securities laws, this outlook constitutes forward-looking information. Actual results could vary materially as a result of numerous factors, including certain risk factors, many of which are beyond the Company’s control. See “Cautionary Note Regarding Forward-Looking Statements”.

## **Conference Call Information**

A conference call to discuss first quarter fiscal 2020 results is scheduled for today, August 14, 2020 at 9:00 a.m. Eastern Time. Dani Reiss, President and Chief Executive Officer and Jonathan Sinclair, EVP and Chief Financial Officer, will host the conference call. Those interested in participating in the call are invited to dial (844) 579-6824 or (763) 488-9145 if calling internationally. Please dial in approximately 10 minutes prior to the start of the call and reference Conference ID 4983186 when prompted. A live audio webcast of the conference call will be available online at <http://investor.canadagoose.com>.

## **About Canada Goose**

Founded in a small warehouse in Toronto, Canada in 1957, Canada Goose has grown into one of the world’s leading makers of performance luxury apparel. Every collection is informed by the rugged demands of the Arctic and inspired by relentless innovation and uncompromised craftsmanship. From the coldest places on Earth to global fashion capitals, people are proud to wear Canada Goose products. Employing more than 4,000 people worldwide, Canada Goose is a recognized leader for its Made in Canada commitment, and is a long-time partner of Polar Bears International. Visit [canadagoose.com](http://canadagoose.com) for more information.

## **Non-IFRS Financial Measures**

This press release includes references to adjusted net loss, EBIT, adjusted EBIT, adjusted EBIT margin and adjusted net loss per basic and diluted share. The Company presents these measures because its management uses these as supplemental measures in assessing its operating performance, and believes they are helpful to investors, securities analysts and other interested parties, in evaluating the Company’s performance. The measures referenced above are not measurements of financial performance under IFRS and they should not be considered as alternatives to measures of performance derived in accordance with IFRS. In addition, these measures should not be construed as an inference that the Company’s future results will be unaffected by unusual or non-recurring items. These measures have limitations as analytical tools, and you should not consider such measures either in isolation or as substitutes for analyzing the Company’s results as reported under IFRS.

This press release also includes reference to constant currency revenue. The Company presents this measure because we use constant currency information to provide a framework in assessing how our business segments performed excluding the effects of foreign currency exchange rate fluctuations and believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. The constant currency measure is calculated by translating the prior year reported amounts into comparable amounts using a single foreign exchange rate for each currency calculated based on the current period exchange rates as measured by the Bank of Canada.

The Company's definitions and calculations of these measures are not necessarily comparable to other similarly titled measures used by other companies. These non-IFRS financial measures are defined and reconciled to the most comparable IFRS measures in the tables at the end of this press release.

#### **Cautionary Note Regarding Forward-Looking Statements**

The foregoing financial information as at and for the first quarter ended June 2019 are unaudited and subject to quarter-end and year-end adjustments in connection with the completion of our customary financial closing procedures. Such changes could be material.

This press release includes forward-looking statements. These forward-looking statements generally can be identified by the use of words such as "anticipate," "expect," "plan," "could," "may," "will," "believe," "estimate," "forecast," "goal," "project," and other words of similar meaning. These forward-looking statements address various matters including anticipated demand and our ability to capitalize on that demand, including for the Fall / Winter season and for our expanded product offerings, our outlook for fiscal 2020 and our long-term outlook, related assumptions, and our plans for strategic investments to support future growth. Each forward-looking statement contained in this press release is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others, our expectations regarding industry trends, our business plan and growth strategies, our expectations regarding seasonal trends, our inventory levels ahead of these seasonal trends, our ability to implement our growth strategies, our ability to keep pace with changing consumer preferences, our ability to maintain the strength of our brand and protect our intellectual property, our ability to accurately forecast our results as well as the risks identified under the heading "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended March 31, 2019, and filed with the Securities and Exchange Commission ("SEC"), and the securities commissions or similar securities regulatory authorities in each of the provinces and territories of Canada ("Canadian securities regulatory authorities"), as well as the other information we file with the SEC and Canadian securities regulatory authorities. We caution investors not to rely on the forward-looking statements contained in this press release when making an investment decision in our securities. The forward-looking statements in this press release speak only as of the date of this release, and we undertake no obligation to update or revise any of these statements. Our business is subject to substantial risks and uncertainties, including those referenced above. You are encouraged to read our filings with the SEC, available at [www.sec.gov](http://www.sec.gov), and our filings with Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com) for a discussion of these and other risks and uncertainties. Investors, potential investors, and others should give careful consideration to these risks and uncertainties.

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(unaudited)**

**For the first quarter ended June**

(in millions of Canadian dollars, except share and per share amounts)

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| <b>Revenue</b>                                | 71.1        | 44.7        |
| Cost of sales                                 | 30.2        | 16.1        |
| <b>Gross profit</b>                           | 40.9        | 28.6        |
| <i>Gross margin</i>                           | 57.5 %      | 64.0 %      |
| Selling, general and administrative expenses  | 57.5        | 45.1        |
| <i>SG&amp;A expenses as % of revenue</i>      | 80.9 %      | 101.0 %     |
| Depreciation and amortization                 | 10.9        | 3.4         |
| <b>Operating loss</b>                         | (27.5)      | (19.9)      |
| <i>Operating margin</i>                       | (38.7)%     | (44.5)%     |
| Net interest and other finance costs          | 12.2        | 3.1         |
| <b>Loss before income taxes</b>               | (39.7)      | (23.0)      |
| Income tax recovery                           | (10.3)      | (4.3)       |
| <i>Effective tax rate</i>                     | 25.9 %      | 18.7 %      |
| <b>Net loss</b>                               | (29.4)      | (18.7)      |
| Other comprehensive income (loss)             | 3.9         | (0.3)       |
| <b>Comprehensive loss</b>                     | (25.5)      | (19.0)      |
| <b>Loss per share</b>                         |             |             |
| Basic and diluted                             | \$ (0.27)   | \$ (0.17)   |
| Weighted average number of shares outstanding |             |             |
| Basic   | 110,012,100 | 108,660,494 |
| <b>Other data: <sup>(1)</sup></b>             |             |             |
| Adjusted net loss                             | (22.8)      | (16.7)      |
| Adjusted net loss per basic and diluted share | \$ (0.21)   | \$ (0.15)   |
| EBIT  | (27.5)      | (19.9)      |
| Adjusted EBIT                                 | (25.9)      | (17.3)      |

<sup>(1)</sup> Adjusted net loss, adjusted net loss per basic and diluted share, EBIT, and adjusted EBIT are non-IFRS financial measures. See “Reconciliation of Non-IFRS Financial Measures” for a description of these measures and a reconciliation to the nearest IFRS measure.



**Condensed Consolidated Interim Statements of Financial Position  
(unaudited)**

**As at June 30, 2019 and 2018 and March 31, 2019**

(in millions of Canadian dollars)

|   | <b>June 30</b> | <b>June 30</b> | <b>March 31</b> |
|---|----------------|----------------|-----------------|
|   | <b>2019</b>    | <b>2018</b>    | <b>2019</b>     |
|   | <b>\$</b>      | <b>\$</b>      | <b>\$</b>       |
| <b>Assets</b>                                     |                |                |                 |
| <b>Current assets</b>                             |                |                |                 |
| Cash  | 25.0           | 14.6           | 88.6            |
| Trade receivables                                 | 31.3           | 12.4           | 20.4            |
| Inventories                                       | 366.1          | 239.5          | 267.3           |
| Income taxes receivable                           | 9.4            | 8.0            | 4.0             |
| Other current assets                              | 40.3           | 32.4           | 32.9            |
| <b>Total current assets</b>                       | <b>472.1</b>   | <b>306.9</b>   | <b>413.2</b>    |
| Deferred income taxes                             | 27.9           | 10.5           | 12.2            |
| Right-of-use assets                               | 198.5          | —              | —               |
| Property, plant and equipment                     | 87.4           | 64.2           | 84.3            |
| Intangible assets                                 | 153.9          | 140.1          | 155.6           |
| Other long-term assets                            | 2.8            | 4.5            | 7.0             |
| Goodwill  | 53.1           | 45.3           | 53.1            |
| <b>Total assets</b>                               | <b>995.7</b>   | <b>571.5</b>   | <b>725.4</b>    |
| <b>Liabilities</b>                                |                |                |                 |
| <b>Current liabilities</b>                        |                |                |                 |
| Accounts payable and accrued liabilities          | 100.0          | 90.0           | 110.4           |
| Provisions  | 5.9            | 4.3            | 8.1             |
| Income taxes payable                              | 5.6            | 0.3            | 18.1            |
| Lease liabilities                                 | 28.1           | —              | —               |
| <b>Total current liabilities</b>                  | <b>139.6</b>   | <b>94.6</b>    | <b>136.6</b>    |
| Provisions  | 14.4           | 10.5           | 14.7            |
| Deferred income taxes                             | 14.9           | 12.5           | 16.7            |
| Revolving facility                                | 159.6          | 76.9           | —               |
| Term loan   | 147.6          | 140.4          | 145.2           |
| Lease liabilities                                 | 180.6          | —              | —               |
| Other long-term liabilities                       | 6.8            | 10.8           | 13.1            |
| <b>Total liabilities</b>                          | <b>663.5</b>   | <b>345.7</b>   | <b>326.3</b>    |
| <b>Shareholders' equity</b>                       | <b>332.2</b>   | <b>225.8</b>   | <b>399.1</b>    |
| <b>Total liabilities and shareholders' equity</b> | <b>995.7</b>   | <b>571.5</b>   | <b>725.4</b>    |

**Condensed Consolidated Interim Statements of Cash Flows  
(unaudited)**

**For the first quarter ended June**

(in millions of Canadian dollars)

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
|   | <b>\$</b>      | <b>\$</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                |                |
| Net loss  | (29.4)         | (18.7)         |
| Items not affecting cash:                                 |                |                |
| Depreciation and amortization                             | 13.3           | 4.4            |
| Income tax recovery                                       | (10.3)         | (4.3)          |
| Interest expense  | 5.0            | 3.0            |
| Foreign exchange gain                                     | (4.4)          | (1.2)          |
| Acceleration of unamortized costs on debt extinguishment  | 7.0            | —              |
| Loss on disposal of assets                                | 0.2            | —              |
| Share-based compensation                                  | 1.9            | 0.4            |
|   | <b>(16.7)</b>  | <b>(16.4)</b>  |
| Changes in non-cash operating items                       | (133.7)        | (111.6)        |
| Income taxes paid   | (24.6)         | (24.3)         |
| Interest paid   | (4.4)          | (2.2)          |
| Rent paid   | (0.9)          | —              |
| <b>Net cash used in operating activities</b>              | <b>(180.3)</b> | <b>(154.5)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                |                |
| Purchase of property, plant and equipment                 | (1.3)          | (2.1)          |
| Investment in intangible assets                           | (3.9)          | (2.8)          |
| <b>Net cash used in investing activities</b>              | <b>(5.2)</b>   | <b>(4.9)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |                |                |
| Borrowings on revolving facility                          | 162.3          | 78.5           |
| Transaction costs on financing activities                 | (2.0)          | —              |
| Subordinate voting shares purchased for cancellation      | (38.7)         | —              |
| Principal paid on lease liabilities                       | (5.0)          | —              |
| Settlement of term loan derivative contracts              | 4.6            | —              |
| Exercise of stock options                                 | 0.3            | 0.8            |
| <b>Net cash from financing activities</b>                 | <b>121.5</b>   | <b>79.3</b>    |
| Effects of foreign currency exchange rate changes on cash | 0.4            | (0.6)          |
| Decrease in cash  | (63.6)         | (80.7)         |
| <b>Cash, beginning of period</b>                          | <b>88.6</b>    | <b>95.3</b>    |
| <b>Cash, end of period</b>                                | <b>25.0</b>    | <b>14.6</b>    |

## Reconciliation of Non-IFRS Measures

The tables below reconcile net income to EBIT, adjusted EBIT, and adjusted net loss for the periods indicated.

### CAD \$ millions (unaudited)

|   | For the first quarter ended June |                |
|---|----------------------------------|----------------|
|   | 2019                             | 2018           |
| Net loss  | (29.4)                           | (18.7)         |
| <i>Add (deduct) the impact of:</i>                                |                                  |                |
| Income tax recovery   | (10.3)                           | (4.3)          |
| Net interest and other finance costs                              | 12.2                             | 3.1            |
| <b>EBIT</b>   | <b>(27.5)</b>                    | <b>(19.9)</b>  |
| Offering costs (a)  | —                                | 1.2            |
| Costs of the Baffin acquisition (b)                               | 0.5                              | —              |
| Unrealized foreign exchange (gain) loss on Term Loan Facility (c) | (1.5)                            | 0.4            |
| Share-based compensation (d)                                      | 0.3                              | 0.8            |
| Pre-store opening costs (e)                                       | 2.3                              | 0.2            |
| Total adjustments   | 1.6                              | 2.6            |
| <b>Adjusted EBIT</b>  | <b>(25.9)</b>                    | <b>(17.3)</b>  |
| <i>Adjusted EBIT margin</i>                                       | <i>(36.4)%</i>                   | <i>(38.7)%</i> |

### CAD \$ millions (unaudited)

|   | For the first quarter ended June |               |
|---|----------------------------------|---------------|
|   | 2019                             | 2018          |
| <b>Net loss</b>   | <b>(29.4)</b>                    | <b>(18.7)</b> |
| <i>Add (deduct) the impact of:</i>                                |                                  |               |
| Offering costs (a)  | —                                | 1.2           |
| Costs of the Baffin acquisition (b)                               | 0.5                              | —             |
| Unrealized foreign exchange (gain) loss on Term Loan Facility (c) | (1.5)                            | 0.4           |
| Share-based compensation (d)                                      | 0.3                              | 0.8           |
| Pre-store opening costs (f)                                       | 2.8                              | 0.2           |
| Acceleration of unamortized costs on term loan refinancing (g)    | 7.0                              | —             |
| <b>Total adjustments</b>  | <b>9.1</b>                       | <b>2.6</b>    |
| Tax effect of adjustments   | (2.5)                            | (0.6)         |
| <b>Adjusted net loss</b>  | <b>(22.8)</b>                    | <b>(16.7)</b> |

- (a) In connection with the Secondary Offering completed in June 2018, we incurred expenses related to professional fees, consulting, legal, and accounting that would otherwise not have been incurred.
- (b) Represents costs in connection with the Baffin acquisition and the impact of gross margin that would otherwise have been recognized on inventory recorded at net realizable value less costs to sell.
- (c) Represents unrealized gains and losses on the translation of the Term Loan Facility from USD to CAD, net of the effect of derivative transactions entered into to hedge a portion of the exposure to foreign currency exchange risk.
- (d) Represents non-cash share-based compensation expense on stock options issued prior to the IPO under the Legacy Plan of \$0.1m (2018 - \$0.2m) and cash payroll taxes paid by the Company of \$0.2m (2018 - \$0.6m) on gains earned by option holders (compensation) when stock options are exercised.
- (e) Represents costs incurred during pre-opening periods for new stores, including depreciation of right-of-use assets in 2019 and rent expense in 2018.
- (f) Represents costs incurred in (e) above plus interest on lease liabilities in 2019.
- (g) Represents the non-cash unamortized costs accelerated in connection with the amendments to the Term Loan Facility.

The table below reconciles revenue as reported to revenue on a constant currency basis for the periods presented:

| CAD \$ millions | For the first quarter ended<br>June |      | \$ Change   |                               |                         | % Change    |                         |
|-----------------|-------------------------------------|------|-------------|-------------------------------|-------------------------|-------------|-------------------------|
|                 | 2019                                | 2018 | As reported | Foreign<br>exchange<br>impact | In constant<br>currency | As reported | In constant<br>currency |
| DTC             | 34.8                                | 23.2 | 11.6        | (0.2)                         | 11.4                    | 50.0%       | 49.1%                   |
| Wholesale       | 36.3                                | 21.5 | 14.8        | —                             | 14.8                    | 68.8%       | 68.8%                   |
| Total revenue   | 71.1                                | 44.7 | 26.4        | (0.2)                         | 26.2                    | 59.1%       | 58.6%                   |