FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended October 29, 2016.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-37404

DAVIDsTEA Inc.

(Exact name of registrant as specified in its charter)

Canada (State or other jurisdiction of incorporation or organization)	**98-1048842** (I.R.S. Employer Identification No.)

5430 Ferrier
Mount-Royal, Québec, Canada, H4P 1M2
(Address of principal executive offices) (zip code)

(888) 873-0006
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of December 7, 2016, 25,020,009 common shares of the registrant were outstanding.

DAVIDsTEA Inc.

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DAVIDsTEA Inc. (the “Company”), a corporation incorporated under the *Canada Business Corporations Act*, qualifies as a foreign private issuer in the United States for purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As a foreign private issuer, the Company has chosen to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K with the United States Securities and Exchange Commission (“SEC”) instead of filing the reporting forms available to foreign private issuers, although the Company is not required to do so.

In this quarterly report, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to “$,” “C$,” “CAD,” “CND$,” “Canadian dollars” and “dollars” mean Canadian dollars and all references to “U.S. dollars,” “US$” and “USD” mean U.S. dollars.

On December 2, 2016, the noon buying rate certified for customs purposes by the U.S. Federal Reserve Bank of New York was US$1.00 = $1.3298.

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

DAVIDsTEA Inc.
Incorporated under the laws of Canada
INTERIM CONSOLIDATED BALANCE SHEETS
[Unaudited and in thousands of Canadian dollars]

		As at October 29, 2016 $	As at January 30, 2016 $
ASSETS			
Current			
Cash		**33,136**	72,514
Accounts and other receivables		**3,504**	2,702
Inventories	[Note 5]	**42,822**	17,767
Income tax receivable		**4,373**	605
Prepaid expenses and deposits		**6,054**	4,493
Derivative financial instruments	[Note 16]	**1,065**	3,442
Total current assets		**90,954**	101,523
Property and equipment	[Note 6]	**53,702**	47,330
Intangible assets		**2,567**	2,242
Deferred income tax assets	[Note 11]	**7,909**	7,877
Total assets		**155,132**	158,972
LIABILITIES AND EQUITY			
Current			
Trade and other payables		**15,802**	14,435
Deferred revenue		**2,678**	3,762
Income taxes payable		**—**	62
Current portion of provisions	[Note 7]	**68**	512
Total current liabilities		**18,548**	18,771
Deferred rent and lease inducements		**7,311**	6,002
Provisions	[Note 7]	**394**	162
Total liabilities		**26,253**	24,935
Equity			
Share capital	[Note 10]	**262,149**	259,205
Contributed surplus		**7,476**	7,094
Deficit		**(144,432)**	(138,465)
Accumulated other comprehensive income		**3,686**	6,203
Total equity		**128,879**	134,037
		155,132	158,972

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

[Unaudited and in thousands of Canadian dollars, except share information]

		For the three months ended		For the nine months ended	
		October 29, 2016 $	October 31, 2015 $	October 29, 2016 $	October 31, 2015 $
Sales	[Note 15]	**44,134**	36,305	**129,682**	104,930
Cost of sales		**23,587**	18,283	**66,072**	51,769
Gross profit		**20,547**	18,022	**63,610**	53,161
Selling, general and administration expenses	[Note 6 and 12]	**27,187**	18,888	**71,116**	54,098
Stock-based compensation related to cashless exercise	[Note 10]	**—**	—	**—**	4,052
Results from operating activities		**(6,640)**	(866)	**(7,506)**	(4,989)
Finance costs		**19**	17	**55**	1,031
Finance income		**(125)**	(108)	**(394)**	(231)
Loss on derivative financial instruments		**—**	164	**—**	—
Accretion of preferred shares	[Note 9]	**—**	—	**—**	401
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	[Note 9]	**—**	—	**—**	140,874
Loss before income taxes		**(6,534)**	(939)	**(7,167)**	(147,064)
Income tax recovery	[Note 11]	**(1,574)**	(68)	**(1,454)**	(879)
Net loss		**(4,960)**	(871)	**(5,713)**	(146,185)
Other comprehensive income (loss)					
Items to be reclassified subsequently to income:					
Unrealized net gain (loss) on forward exchange contracts	[Note 16]	**537**	45	**(1,982)**	1,894
Realized net (gain) loss on forward exchange contracts reclassified to inventory		**(26)**	(1,111)	**(396)**	(1,111)
Provision for income tax (recovery) on comprehensive income		**(136)**	326	**631**	(208)
Cumulative translation adjustment		**699**	(20)	**(770)**	221
Other comprehensive income (loss), net of tax		**1,074**	(760)	**(2,517)**	796
Total comprehensive loss		**(3,886)**	(1,631)	**(8,230)**	(145,389)
Net loss per share:					
Basic	[Note 13]	(0.20)	(0.04)	(0.23)	(7.91)
Fully diluted	[Note 13]	(0.20)	(0.04)	(0.23)	(7.91)
Weighted average number of shares outstanding					
— basic	[Note 13]	24,902,385	23,977,040	24,554,391	18,360,119
— fully diluted	[Note 13]	24,902,385	23,977,040	24,554,391	18,360,119

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited and in thousands of Canadian dollars]

	For the three months ended		For the nine months ended	
	October 29, 2016 $	October 31, 2015 $	October 29, 2016 $	October 31, 2015 $
OPERATING ACTIVITIES				
Net loss	**(4,960)**	(871)	**(5,713)**	(146,185)
Items not affecting cash:				
Depreciation of property and equipment	**2,110**	1,445	**5,818**	4,093
Amortization of intangible assets	**198**	168	**527**	433
Loss on disposal of property and equipment	**311**	—	**311**	292
Impairment of property and equipment	**2,516**	—	**2,516**	—
Loss on derivative financial instruments	**—**	164	**—**	—
Deferred rent	**385**	333	**1,031**	815
Provision (recovery) for onerous contracts	**48**	—	**48**	(265)
Stock-based compensation expense	**643**	458	**1,573**	1,276
Amortization of financing fees	**19**	—	**55**	176
Accretion of preferred shares	**—**	—	**—**	401
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	**—**	—	**—**	140,874
Deferred income taxes	**453**	323	**475**	1,011
	1,723	2,020	**6,641**	2,921
Net change in other non-cash working capital balances related to operations	**(23,978)**	(8,764)	**(31,467)**	(16,210)
Cash flows related to operating activities	**(22,255)**	(6,744)	**(24,826)**	(13,289)
FINANCING ACTIVITIES				
Repayment of finance lease obligations	**—**	—	**—**	(552)
Proceeds from issuance of long-term debt	**—**	—	**—**	9,996
Repayment of long-term debt	**—**	—	**—**	(20,010)
Repayment of loan from the controlling shareholder	**—**	—	**—**	(2,952)
Proceeds from issuance of common shares pursuant to exercise of stock options	**962**	27	**1,806**	86
Gross proceeds of initial public offering	**—**	—	—	79,370
IPO-related expenses	**—**	(72)	—	(10,620)
Financing fees	**—**	(15)	**—**	(186)
Cash flows related to financing activities	**962**	(60)	**1,806**	55,132
INVESTING ACTIVITIES				
Additions to property and equipment	**(5,776)**	(7,385)	**(15,498)**	(12,415)
Additions to intangible assets	**(399)**	(293)	**(860)**	(961)
Cash flows related to investing activities	**(6,175)**	(7,678)	**(16,358)**	(13,376)
Increase (decrease) in cash during the period	**(27,468)**	(14,482)	**(39,378)**	28,467
Cash, beginning of period	**60,604**	62,733	**72,514**	19,784
Cash, end of period	**33,136**	48,251	**33,136**	48,251
Supplemental Information				
Cash paid for:				
Interest	—	13	—	335
Income taxes (classified as operating activity)	1,279	386	2,436	1,642
Cash received for:				
Interest	121	136	382	231
Income taxes (classified as operating activity)	97	589	522	612

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF EQUITY (DEFICIENCY)

[Unaudited and in thousands of Canadian dollars]

	Share Capital $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive Income: Accumulated Derivative Financial Instrument Adjustment $	Accumulated Other Comprehensive Income: Accumulated Foreign Currency Translation Adjustment $	Accumulated Other Comprehensive Income: Accumulated Other Comprehensive Income $	Total Equity (Deficiency) $
Balance, January 31, 2015	385	1,412	(4,129)	—	2,286	2,286	(46)
Net loss for the nine months ended October 31, 2015	—	—	(146,185)	—	—	—	(146,185)
Other comprehensive income	—	—	—	575	221	796	796
Total comprehensive income (loss)	—	—	(146,185)	575	221	796	(145,389)
Issuance of subordinate voting shares upon exercise of options	125	(125)	—	—	—	—	—
Issuance of common shares	110	(24)	—	—	—	—	86
Gross proceeds on initial public offering	79,370	—	—	—	—	—	79,370
Issue costs on initial public offering (net of future tax benefit)	(7,822)	—	—	—	—	—	(7,822)
Issuance of common shares on conversion of junior preferred and Series A, A-1 and A-2 preferred shares	186,947	—	—	—	—	—	186,947
Stock-based compensation	—	1,276	—	—	—	—	1,276
Balance, October 31, 2015	259,115	2,539	(150,314)	575	2,507	3,082	114,422
Balance, January 30, 2016	**259,205**	**7,094**	**(138,465)**	2,529	3,674	**6,203**	**134,037**
Net loss for the nine months ended October 29, 2016	**—**	**—**	**(5,713)**	—	—	**—**	**(5,713)**
Other comprehensive loss	**—**	**—**	**—**	(1,747)	(770)	**(2,517)**	**(2,517)**
Total comprehensive loss	**—**	**—**	**(5,713)**	(1,747)	(770)	**(2,517)**	**(8,230)**
Proceeds on issuance of common shares	**2,705**	**(899)**	**—**	—	—	**—**	**1,806**
Common shares issued on vesting of restricted stock units	**239**	**(470)**	**(254)**	—	—	**—**	**(485)**
Stock-based compensation expense	**—**	**1,573**	**—**	—	—	**—**	**1,573**
Income tax impact associated with stock options	**—**	**178**	**—**	—	—	**—**	**178**
Balance, October 29, 2016	**262,149**	**7,476**	**(144,432)**	782	2,904	**3,686**	**128,879**

See accompanying notes

DAVIDsTEA Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended October 29, 2016 and October 31, 2015 [Unaudited]

[Amounts in thousands of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

The unaudited condensed interim consolidated financial statements of DAVIDsTEA Inc. and its subsidiary (collectively, the "Company") for the three and nine-month periods ended October 29, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on December 8, 2016. The Company is incorporated and domiciled in Canada and its shares are publicly traded on the NASDAQ Global Market under the symbol "DTEA". The registered office is located at 5430, Ferrier St., Town of Mount-Royal, Quebec, Canada, H4P 1M2.

The Company is engaged in the retail and online sale of tea, tea accessories and food and beverages in Canada and the United States. The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. Sales fluctuate from quarter to quarter. Sales are traditionally higher in the fourth fiscal quarter due to the year-end holiday season, and tend to be lowest in the second and third fiscal quarter because of lower customer traffic during the summer months.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 30, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented. These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies and methods of computation as outlined in note 3 of the consolidated financial statements for the year ended January 30, 2016. During the nine-month period ended October 29, 2016, we implemented the following new accounting standard on the presentation of financial statements.

On May 12, 2015, the Company's Board of Directors approved a 1.6-for-1 split on common and Class AA common shares, which was effective May 21, 2015. The accompanying financial statements have been adjusted to reflect the forward split. As a result, the historical per share amounts and the number of shares in these unaudited condensed interim consolidated financial statements have been retroactively adjusted to reflect this change.

Comparative figures

The Company has reclassified the comparative figure related to stock-based compensation related to cashless exercise on the interim consolidated statement of income (loss) to make selling, general and administration expenses comparable.

Gift card breakage

During the three months ended October 29, 2016, the Company determined that it had sufficient historical redemption patterns to record breakage income associated with unredeemed gift cards, and accordingly recorded an amount of $850 [for the three and nine month periods ended October 31, 2015 – nil] associated to gift cards issued and redeemed in prior years, when no breakage income was included. Gift card breakage is included in sales in the interim consolidated statement of income (loss).

3. CHANGES IN ACCOUNTING POLICIES

IAS 1, “Presentation of Financial Statements” (“IAS 1”), was modified in December 2014 when the IASB issued amendments to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the consolidated balance sheets and consolidated statements of income (loss) and comprehensive income (loss). These amendments shall be applied to fiscal years beginning on or after January 1, 2016. The Company has adopted this accounting standard effective on January 31, 2016, the first day of its newest fiscal year. The adoption of IAS 1 has resulted in no impact to the consolidated financial statements.

Information on significant new accounting standards and amendments issued but not yet adopted is described below.

IFRS 9, “Financial Instruments”(“IFRS 9”), partially replaces the requirements of IAS 39, “Financial Instruments: Recognition and Measurement”. This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on the Company’s consolidated financial statements and related note disclosures.

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”) replaces IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard on the Company’s consolidated financial statements and related note disclosures.

IFRS 16, “Leases” (“IFRS 16”) replaces IAS 17, “Leases”. This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is currently assessing the impact of adopting this standard on our consolidated financial statements and related note disclosures.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, critical judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those referred to in note 5 of the consolidated financial statements for the year ended January 30, 2016.

5. INVENTORIES

	October 29, 2016 $	January 30, 2016 $
Finished goods	**33,977**	12,903
Goods in transit	**3,840**	3,790
Packaging	**5,005**	1,074
	42,822	17,767

6. PROPERTY AND EQUIPMENT

For the three and nine-month periods ended October 29, 2016, an assessment of impairment indicators was performed which caused the Company to review the recoverable amount of the property and equipment for certain CGUs with an indication of impairment. CGUs reviewed included stores performing below the Company's expectations.

As a result, an impairment loss of $2,516 [October 31, 2015 — nil] related to store leasehold improvements, furniture and equipment and computer hardware was recorded in the Canada and U.S. segments for $354 and $2,162, respectively. These losses were determined by comparing the carrying amount of the CGUs' net assets with their respective recoverable amounts based on value in use, and is included in selling, general, administration expenses in the interim consolidated statement of income (loss). Value in use of $454 was determined based on management's best estimate of expected future cash flows from use over the remaining lease term, considering historical experience as well as current economic conditions, and was then discounted using a pre-tax weighted average cost of capital of 13.4%.

7. PROVISIONS

	For the nine months ended October 29, 2016 $	For the year ended January 30, 2016 $
Opening balance	**674**	874
Arising during the period	**48**	—
Amortized during the period	**—**	(265)
Settled during the period	**(235)**	—
Cumulative translation adjustment	**(25)**	65
Ending balance	**462**	674
Less: Current portion	**(68)**	(512)
Long-term portion of provisions	**394**	162

Provisions for onerous contracts have been recognized in respect of store leases where the unavoidable costs of meeting the obligations under the lease agreements exceed the economic benefits expected to be received from the contract. The unavoidable costs reflect the present value of the lower of the expected cost of terminating the contract and the expected net cost of operating under the contract.

8. REVOLVING FACILITY

The Company has a credit agreement (the "Credit Agreement") with the Bank of Montreal ("BMO"). The Credit Agreement provides for a revolving term facility, maturing October 31, 2019, in the principal amount of $20,000 (which the Company refers to as the "Revolving Facility") or the equivalent amount in U.S. dollars, repayable at any time. The Credit Agreement also provides for an accordion feature whereby the Company may, at any time prior to maturity and with permission from BMO, request an increase to the Revolving Facility by an amount not greater than $10,000.

The credit facility contains a number of financial and non-financial covenants that, among other things and subject to certain exceptions, restrict the Company's ability to become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business. The Company cannot make any dividend payments. As at October 29, 2016, the Company is in compliance with these covenants.

As at October 29, 2016 and January 30, 2016, the Company did not have any borrowings on the Revolving Facility.

9. MANDATORILY REDEEMABLE PREFERENCE SHARES

Prior to the Company's initial public offering ("IPO") on June 10, 2015, the Series A, A-1, and A-2 redeemable preferred shares liability was being accreted to their nominal value and the financial derivative liability embededded in the preferred shares was being measured at fair value with all changes recognized immediately in income (loss). For the three and nine-months period ended October 31, 2015, the accretion on preferred shares was nil and $401, respectively, and the changes in the carrying value of the financial derivative liability embedded in preferred shares amounted to nil and $140,874, respectively. The amounts were recorded as a loss in the unaudited condensed interim consolidated statements of income (loss) for the nine-month period ended October 31, 2015.

On June 10, 2015, immediately prior to the completion of the Company's IPO, the financial derivative liability embedded in preferred shares was increased to reflect the fair market value of the IPO common shares. Subsequently, all of the Series A, A-1 and A-2 preferred shares were converted into common shares and the financial derivative liability embedded in the Series A, A-1 and A-2 preferred shares was converted into equity. On June 10, 2015, immediately following the IPO, the Company amended its articles to remove the Series A, A-1 and A-2 preferred shares from its authorized capital.

10. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and outstanding

	October 29, 2016 $	January 30, 2016 $
25,019,559 Common shares [January 30, 2016 - 24,037,472 shares]	**262,149**	259,205
	262,149	259,205

During the three and nine-month periods ended October 29, 2016, 273,078 and 949,649 stock options, respectively [October 31, 2015 — 22,000 and 402,739 stock options], were exercised for common shares. The carrying value of common shares during the three and nine-month periods ended October 29, 2016 includes $595 and $899, respectively [October 31, 2015 — $8 and $24], which corresponds to a reduction in contributed surplus associated to options exercised during the period.

In addition, during the three and nine-month periods ended October 29, 2016, 2,043 and 32,441 common shares were issued in relation to the vesting of restricted stock units ("RSU"), resulting in an increase in share capital of $25 and $239, net of tax, respectively [October 31, 2015 – nil and nil].

Stock-based compensation

As at October 29, 2016, 867,683 common shares remain available for issuance under the 2015 Omnibus Plan.

The weighted average fair value of options granted of $3.72 for the nine-month period ended October 29, 2016 [for the nine-month period ended October 31, 2015 — $4.76] was estimated using the Black Scholes option pricing model, using the following assumptions:

	For the nine months ended October 29, 2016	For the nine months ended October 31, 2015
Risk-free interest rate	**1.23 %**	1.15 %
Expected volatility	**29.8 %**	31.0 %
Expected option life	**4.0 years**	3.65 years
Expected dividend yield	**0 %**	0 %
Exercise price	**$ 14.67**	$ 15.63

Expected volatility was estimated using historical volatility of similar companies whose share prices were publicly available.

A summary of the status of the Company's stock option plan and changes during the nine-month period is presented below.

	For the nine months ended October 29, 2016		For the nine months ended October 31, 2015	
	Options outstanding #	Weighted average exercise price $	Options outstanding #	Weighted average exercise price $
Outstanding, beginning of period	**2,146,880**	**3.04**	2,905,648	2.06
Issued	**174,031**	**14.67**	33,000	16.64
Exercised	**(949,649)**	**1.90**	(402,739)	0.82
Cancelled/expired	**—**	**—**	(275,529)	0.77
Forfeitures	**(112,283)**	**4.97**	(70,000)	3.36
Outstanding, end of period	**1,258,979**	**5.34**	2,190,380	2.84
Exercisable, end of period	**586,885**	**3.61**	1,055,692	2.07

The weighted average share price at the date of exercise for stock options exercised during the nine-month period ended October 29, 2016 was $15.64 [for the nine-month period ended October 31, 2015 — $17.99].

A summary of the status of the Company's RSU plan and changes during the nine-month period is presented below.

	For the nine months ended October 29, 2016		For the nine months ended October 31, 2015	
	RSUs outstanding #	Weighted average fair value per unit (1) $	RSUs outstanding #	Weighted average fair value per unit (1) $
Outstanding, beginning of period	**252,720**	**7.39**	—	—
Granted	**194,154**	**14.71**	258,480	7.38
Forfeitures	**(36,647)**	**(7.23)**	(4,800)	7.07
Vested	**(32,441)**	**(7.39)**	—	—
Vested, withheld for tax	**(30,981)**	**(7.39)**	—	—
Outstanding, end of period	**346,805**	**11.63**	253,680	7.39

(1) Weighted average fair value per unit as at date of grant.

During the three and nine-month periods ended October 29, 2016, the Company recognized a stock-based compensation expense of $643 and $1,573, respectively [October 31, 2015 — $458 and $1,276] and a stock-based compensation expense related to cashless exercise of options by former employees of nil and nil, respectively [October 31, 2015 — nil and $4,052].

11. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year.

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	For the three months ended				For the nine months ended			
	October 29, 2016		October 31, 2015		October 29, 2016		October 31, 2015	
	%	$	%	$	%	$	%	$
Income tax recovery — statutory rate	**26.6**	**(1,735)**	26.6	(249)	**26.6**	**(1,903)**	26.6	(39,045)
Loss from embedded derivative and accretion of Series A, A-1, and A-2 preferred shares	**—**	**—**	—	—	**—**	**—**	(25.5)	37,506
Stock based compensation	**(1.8)**	**120**	(9.8)	92	**(3.2)**	**232**	(0.2)	297
Unrealized foreign exchange loss on intercompany balances	**1.7**	**(109)**	(0.4)	4	**(1.9)**	**135**	0.1	(127)
Other	**(2.4)**	**150**	(9.1)	85	**(1.2)**	**82**	(0.4)	490
Income tax recovery — effective tax rate	**24.1**	**(1,574)**	7.3	(68)	**20.3**	**(1,454)**	0.6	(879)

A breakdown of the income tax provision (recovery) on the interim consolidated statement of income (loss) is as follows:

	For the three months ended		For the nine months ended	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
	$	$	$	$
Income tax provision (recovery)				
Current	**(2,027)**	(391)	**(1,929)**	(1,890)
Deferred	**453**	323	**475**	1,011
	(1,574)	(68)	**(1,454)**	(879)

12. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	For the three months ended		For the nine months ended	
	October 29, 2016 $	October 31, 2015 $	October 29, 2016 $	October 31, 2015 $
Wages, salaries and employee benefits	**15,376**	11,940	**42,910**	34,969
Depreciation of property and equipment	**2,110**	1,445	**5,818**	4,093
Amortization of intangible assets	**198**	168	**527**	433
Loss on disposal of property and equipment	**311**	—	**311**	292
Impairment of property and equipment	**2,516**	—	**2,516**	—
Provision (recovery) for onerous contracts	**48**	—	**48**	(265)
Stock-based compensation	**643**	458	**1,573**	1,276
CEO seperation costs related to salary	**505**	—	**505**	—
Other selling, general and administration	**5,480**	4,877	**16,908**	13,300
	27,187	18,888	**71,116**	54,098

13. EARNINGS PER SHARE

Basic earnings per share ("EPS") amounts are calculated by dividing the net income (loss) for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders (after adjusting for dividends, accretion interest on the mandatorily redeemable preference shares and any gain or loss from embedded derivative on preferred shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, unless these would be anti-dilutive.

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the three months ended		For the nine months ended	
	October 29, 2016 $	October 31, 2015 $	October 29, 2016 $	October 31, 2015 $
Net loss for basic EPS	**(4,960)**	(871)	**(5,713)**	(146,185)
Weighted average number of shares outstanding — basic	**24,902,385**	23,977,040	**24,554,391**	18,360,119
Restricted stock units	**—**	—	**—**	—
Options	**—**	—	**—**	—
Weighted average number of shares — fully diluted	**24,902,385**	23,977,040	**24,554,391**	18,360,119

As a result of the net loss during the three and nine-month periods ended October 29, 2016 and October 31, 2015, the stock options and restricted stock units disclosed in Note 10 are anti-dilutive.

14. RELATED PARTY DISCLOSURES

For the three and nine-month periods ended October 31, 2015, interest was incurred on the loan from the controlling shareholder amounting to nil and $48, respectively, and dividends on Series A, A-1 and A-2 preferred shares were accrued for nil and $438, respectively. As a result of the repayment of the loan from the controlling shareholder and the conversion of the Series A, A-1 and A-2 preferred shares during the year ended January 30, 2016, there were no such amounts for the three and nine-month periods ended October 29, 2016.

15. SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has reviewed its operations and determined that each of its retail stores represents an operating segment. However, because its retail stores have similar economic characteristics, sell similar products, have similar types of customers, and use similar distribution channels, the Company has determined that these operating segments can be aggregated at a geographic level. As a result, the Company has concluded that it has two reportable segments, Canada and the U.S., that derive their revenues from the retail and online sale of tea, tea accessories and food and beverages. The Company's Chief Executive Officer (the chief operating decision maker) makes decisions about resources allocation and assesses performance at the country level, and for which discrete financial information is available.

The Company derives revenue from the following products:

	For the three months ended		For the nine months ended	
	October 29, 2016 $	October 31, 2015 $	October 29, 2016 $	October 31, 2015 $
Tea	**30,013**	24,551	**86,042**	70,198
Tea accessories	**9,590**	7,458	**30,294**	22,611
Food and beverages	**4,531**	4,296	**13,346**	12,121
	44,134	36,305	**129,682**	104,930

Property and equipment and intangible assets by country are as follows:

	October 29, 2016 $	January 30, 2016 $
Canada	**41,296**	35,915
US	**14,973**	13,657
Total	**56,269**	49,572

Gross profit per country is used to measure performance because management believes this information is the most relevant in evaluating results. Gross profit per country is as follows:

	For the three months ended October 29, 2016			For the nine months ended October 29, 2016		
	Canada $	US $	Consolidated $	Canada $	US $	Consolidated $
Sales	**36,693**	**7,441**	**44,134**	**107,547**	**22,135**	**129,682**
Cost of sales	**18,730**	**4,857**	**23,587**	**52,614**	**13,458**	**66,072**
Gross profit	**17,963**	**2,584**	**20,547**	**54,933**	**8,677**	**63,610**
Selling, general and administration expenses			**27,187**			**71,116**
Results from operating activities			**(6,640)**			**(7,506)**
Finance costs			**19**			**55**
Finance income			**(125)**			**(394)**
Loss before income taxes			**(6,534)**			**(7,167)**

	For the three months ended October 31, 2015			For the nine months ended October 31, 2015		
	Canada $	US $	Consolidated $	Canada $	US $	Consolidated $
Sales	30,978	5,327	36,305	91,376	13,554	104,930
Cost of sales	15,038	3,245	18,283	43,652	8,117	51,769
Gross profit	15,940	2,082	18,022	47,724	5,437	53,161
Selling, general and administration expenses			18,888			54,098
Stock-based compensation related to cashless exercise			—			4,052
Results from operating activities			(866)			(4,989)
Finance costs			17			1,031
Finance income			(108)			(231)
Loss on derivative financial instruments			164			—
Accretion of preferred shares			—			401
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares			—			140,874
Loss before income taxes			(939)			(147,064)

16. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, liquidity and credit.

Currency risk — foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Given that some of its purchases are denominated in U.S. dollars, the Company is exposed to foreign exchange risk. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The Company is exposed to currency risk through its cash, accounts receivable and accounts payable denominated in U.S. dollars.

Assuming that all other variables remain constant, a revaluation of these monetary assets and liabilities due to a 5% rise or fall in the Canadian dollar against the U.S. dollar would have resulted in an increase or decrease to net income (loss) in the amount of $30.

The Company's foreign exchange exposure is as follows:

	October 29, 2016 US$	January 30, 2016 US$
Cash	**1,579**	464
Accounts receivable	**1,235**	1,126
Accounts payable	**3,418**	2,092

The Company's U.S. subsidiary's transactions are denominated in U.S. dollars.

In order to protect itself from the risk of losses should the value of the Canadian dollar decline in relation to the U.S. dollar, the Company has entered into forward contracts to fix the exchange rate of its expected U.S. dollar inventory purchasing requirements, through April 2017. A forward foreign exchange contract is a contractual agreement to buy a specific currency at a specific price and date in the future. The Company designated the forward contracts as cash flow hedging instruments under International Accounting Standard 39. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income for the three and nine-month period ended October 29, 2016. As at October 29, 2016, the designated portion of these hedges was considered effective.

The nominal and contract values of foreign exchange contracts outstanding as at October 29, 2016 are as follows:

	Range of contractual exchange rate	Nominal value US$	Nominal value C$	Term	Unrealized gain/(loss) C$
Purchase contracts					
U.S. dollar	1.2696 - 1.2772	17,100	21,760	November 2016 to April 2017	1,065

The nominal and contract values of foreign exchange contracts outstanding as at October 31, 2015 are as follows:

	Range of contractual exchange rate	Nominal value US$	Nominal value C$	Term	Unrealized gain/(loss) C$
Purchase contracts					
U.S. dollar	1.2175 - 1.3060	45,300	58,475	November 2015 to October 2016	783

Market risk — interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk including financial assets with variable interest rates and consists of cash. The Company is exposed to cash flow risk on its Revolving Facility which bears interest at variable interest rates (note 8). As at October 29, 2016, the Company did not have any borrowings on the Revolving Facility.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its trade and other payables.

As at October 29, 2016, the Company had $33,136 in cash. In addition, as outlined in note 8, the Company has a Revolving Facility of $20,000, of which nil was drawn as at October 29, 2016. The Revolving Facility also provides for an accordion feature whereby the Company may, at any time prior to maturity, and with the permission of BMO, request an increase to the Revolving Facility by an amount not greater than $10,000.

The Company expects to finance its growth in store base and its store renovations through cash flows from operations, the Revolving Facility (note 8) and cash on hand. The Company expects that its trade and other payables will be discharged within 90 days.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable and derivative financial instruments. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the "Financial instruments" section of note 3 of the consolidated financial statements for the year ended January 30, 2016 describe how the categories of financial instruments are measured and how income and expenses, including fair value remeasurement gains and losses, are recognized. The fair values of derivative financial instruments have been determined by reference to forward exchange rates at the end of the reporting period and classified in Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair values

Changes in fair value of Level 3 financial instruments were as follows, for the nine-month period ended October 29, 2016 and for the year ended January 30, 2016:

	Fair value of Level 3 financial instruments	
	October 29, 2016 $	January 30, 2016 $
Balance, beginning of the period	—	16,427
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	—	140,874
Less: conversion of Series A, A-1 and A-2 preferred shares to common shares	—	(157,301)
Balance, end of period	—	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained herein includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and there are, or may be deemed to be,"forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "expects," "may," "will," "should," "could," "seeks," "projects," "approximately," "intends," "plans," "estimates" or "anticipates," or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, new store opening projections, use of cash and operating and capital expenditures, impact of new accounting pronouncements, impact of improvements to internal control and financial reporting. These risks and uncertainties include, but are not limited to the risks described under the section entitled "Risk Factors" in our Annual Report on Form 10-K dated April 12, 2016 and filed on April 13, 2016. Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-Q, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this Form 10-Q or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Accounting Periods

All references to "Fiscal 2016" are to the Company's fiscal year ending January 28, 2017. All references to "Fiscal 2015" are to the Company's fiscal year ended January 30, 2016. All references to "Fiscal 2014" are to the Company's fiscal year ended January 31, 2015.

The Company's fiscal year ends on the last Saturday in January. The years ending January 28, 2017 and January 30, 2016 cover a 52-week period. The year ended January 31, 2015 covers a 53-week fiscal period.

Overview

We are a fast-growing retailer of specialty tea, offering a differentiated selection of proprietary loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories and food and beverages, primarily through 225 company-operated DAVIDsTEA stores throughout Canada and the United States as of October 29, 2016, and our website, davidstea.com. We are building a brand that seeks to expand the definition of tea with innovative products that consumers can explore in an open and inviting retail environment, and replicate our store experience online by engaging users with rich content. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of tea as well as the ease of preparation.

Third Quarter 2016 Highlights

Compared to the third quarter of Fiscal 2015, we grew our sales from $36.3 million to $44.1 million, representing growth of 21.5% over the prior year. We added 17 new stores, increasing our store base from 208 stores as of July 30, 2016 to 225 stores as of October 29, 2016. Our net loss increased from $(0.9) million to $(5.0) million. Our Adjusted EBITDA decreased from $1.5 million to $0.1 million. Our net cash flows related to operating activities decreased from $(6.7) million to $(22.3) million. We believe we can continue to deliver total sales growth driven by adding new stores and achieving positive comparable sales, which includes sales on our e-commerce site.

How we assess our performance

The key measures we use to evaluate the performance of our business and the execution of our strategy are set forth below:

Sales. Sales consist primarily of sales from our retail stores and e-commerce site. Our business is seasonal and, as a result, our sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter, which includes the holiday sales period, and tend to be lowest in the second and third fiscal quarter because of lower customer traffic in our locations in the summer months.

The specialty retail industry is cyclical, and our sales are affected by general economic conditions. Purchases of our products can be impacted by a number of factors that influence the level of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence.
Sales also include gift card breakage income.

Comparable Sales. Comparable sales refer to period-over-period comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation. As a result, data regarding comparable sales may not be comparable to similarly titled data from other retailers.

Measuring the change in period-over-period comparable sales allows us to evaluate how our business is performing. Various factors affect comparable sales, including:

- our ability to anticipate and respond effectively to consumer preference, buying and economic trends;
- our ability to provide a product offering that generates new and repeat visits to our stores and online;
- the customer experience we provide in our stores and online;
- the level of customer traffic near our locations in which we operate;
- the number of customer transactions and average ticket in our stores and online;
- the pricing of our tea, tea accessories, and food and beverages;
- our ability to obtain and distribute product efficiently;
- our opening of new stores in the vicinity of our existing stores; and
- the opening or closing of competitor stores in the vicinity of our stores.

Non-Comparable Sales. Non-comparable sales include sales from stores prior to the beginning of their thirteenth fiscal month of operation and Away From Home ("AFH") sales, which includes sales to hotels, restaurants and institutions, office and workplace locations and food services, as well as corporate gifting. As we pursue our growth strategy, we expect that a significant percentage of our sales will continue to come from non-comparable sales.

Gross Profit. Gross profit is equal to our sales less our cost of sales. Cost of sales includes product costs, freight costs, store occupancy costs and distribution costs.

Selling, General and Administration Expenses. Selling, general and administration expenses consist of store operating expenses and other general and administration expenses, including store impairments and provision for onerous contracts. Store operating expenses consist of all store expenses excluding occupancy related costs (which are included in costs of sales). General and administration costs consist of salaries and other payroll costs, travel, professional fees, stock compensation, marketing expenses, information technology and other operating costs.

General and administration costs, which are generally fixed in nature, do not vary proportionally with sales to the same degree as our cost of sales. We believe that these costs will decrease as a percentage of sales over time. Accordingly, this expense as a percentage of sales is usually higher in lower volume quarters and lower in higher volume quarters.

We present Adjusted selling, general and administration expenses as a supplemental measure because we believe it facilitates a comparative assessment of our selling, general and administration expenses under IFRS, while isolating the effects of some items that vary from period to period. It is reconciled to its nearest IFRS measure on page 22 of this Quarterly Report on Form 10-Q.

Results from Operating Activities. Results from operating activities consist of our gross profit less our selling, general and administration expenses and stock-based compensation related to cashless exercise.

We present Adjusted results from operating activities as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period to period. It is reconciled to its nearest IFRS measure on page 23 of this Quarterly Report on Form 10-Q.

Finance Costs. Finance costs consists of cash and imputed non-cash charges related to our credit facility, long-term debt, finance lease obligations, the loan from the controlling shareholder and the Series A, A-1 and A-2 preferred shares, which converted into common shares in connection with our initial public offering in 2015.

Provision for Income Tax. Provision for income tax consists of federal, provincial, state and local current and deferred income taxes.

Adjusted EBITDA. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period to period. Specifically, Adjusted EBITDA allows for an assessment of our operating performance and our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, finance costs, deferred rent, non-cash compensation expense, costs related to onerous contracts or contracts where we expect the costs of the obligations to exceed the economic benefit, gain (loss) on derivative financial instruments, loss on disposal of property and equipment, impairment of property and equipment, and certain non-recurring expenses. This measure also functions as a benchmark to evaluate our operating performance. It is reconciled to its nearest IFRS measure on page 24 of this Quarterly Report on Form 10-Q.

Selected Operating and Financial Highlights

Results of Operations

The following table summarizes key components of our results of operations for the period indicated:

	For the three months ended		For the nine months ended	
	October 29, 2016 (unaudited)	October 31, 2015 (unaudited)	October 29, 2016 (unaudited)	October 31, 2015 (unaudited)
Consolidated statement of income (loss) data:				
Sales	**$ 44,134**	$ 36,305	**$ 129,682**	$ 104,930
Cost of sales	**23,587**	18,283	**66,072**	51,769
Gross profit	**20,547**	18,022	**63,610**	53,161
Selling, general and administration expenses	**27,187**	18,888	**71,116**	54,098
Stock-based compensation related to cashless exercise	**—**	—	**—**	4,052
Results from operating activities	**(6,640)**	(866)	**(7,506)**	(4,989)
Finance costs	**19**	17	**55**	1,031
Finance income	**(125)**	(108)	**(394)**	(231)
Loss on derivative financial instruments	**—**	164	**—**	—
Accretion of preferred shares	**—**	—	**—**	401
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	**—**	—	**—**	140,874
Loss before income taxes	**(6,534)**	(939)	**(7,167)**	(147,064)
Income tax recovery	**(1,574)**	(68)	**(1,454)**	(879)
Net loss	**$ (4,960)**	$ (871)	**$ (5,713)**	$ (146,185)
Percentage of sales:				
Sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**53.5%**	50.4%	**51.0%**	49.3%
Gross profit	**46.5%**	49.6%	**49.0%**	50.7%
Selling, general and administration expenses	**61.6%**	52.0%	**54.8%**	51.5%
Stock-based compensation related to cashless exercise	**—**	—	**—**	3.9%
Results from operating activities	**(15.1%)**	(2.4%)	**(5.8%)**	(4.7%)
Finance costs	**0.0%**	0.0%	**0.0%**	1.0%
Finance income	**(0.3%)**	(0.3%)	**(0.3%)**	(0.2%)
Loss on derivative financial instruments	**—**	0.5%	**—**	0.0%
Accretion of preferred shares	**—**	0.0%	**—**	0.4%
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	**—**	0.0%	**—**	134.3%
Loss before income taxes	**(14.8%)**	(2.6%)	**(5.5%)**	(140.2%)
Income tax recovery	**(3.6%)**	(0.2%)	**(1.1%)**	(0.8%)
Net loss	**(11.2%)**	(2.4%)	**(4.4%)**	(139.3%)
Other financial and operations data :				
Adjusted EBITDA (1)	**$ 76**	$ 1,538	**$ 4,823**	$ 5,707
Adjusted EBITDA as a percentage of sales	**0.2%**	4.2%	**3.7%**	5.4%
Number of stores at end of period	**225**	183	**225**	183
Comparable sales growth for period (2)	**0.8%**	6.3%	**3.5%**	6.5%

(1) For a reconciliation of Adjusted EBITDA to net income see "—Non-IFRS Metrics" below.
(2) Comparable sales refer to period-over-period comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation.

Non-IFRS Metrics

Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are not a presentation made in accordance with IFRS, and the use of the terms Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA may differ from similar measures reported by other companies. We believe that Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA provides investors with useful information with respect to our historical operations. Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are not measurements of our financial performance under IFRS and should not be considered in isolation or as an alternative to net income, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. We understand that although Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS. Some of these limitations are:

· Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

· Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on our debt; and

· Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Because of these limitations, Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations.

The following tables present a reconciliations of Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA to our net income (loss) determined in accordance with IFRS:

Reconciliation of Adjusted selling, general and administration expenses

	For the three months ended		For the nine months ended	
(in thousands)	**October 29, 2016**	**October 31, 2015**	**October 29, 2016**	**October 31, 2015**
Selling, general and administration expenses	27,187	18,888	71,116	54,098
CEO separation costs (a)	594	—	594	—
Impairment of property and equipment (b)	2,516	—	2,516	—
Provision for onerous contracts (c)	48	—	48	—
Loss on disposal of property and equipment (d)	311	—	311	292
Adjusted selling, general and administration expenses	**$ 23,718**	$ 18,888	**$ 67,647**	$ 53,806

(a)CEO separation costs represent salary owed to CEO of $505 payable as part of the separation agreement and stock-based compensation expense of $89 relating to the vesting of equity awards pursuant to the separation agreement.

(b) Represents costs related to impairment of property, equipment and intangible assets for stores.

(c)Represents provision and non-cash recovery related to certain stores where the unavoidable costs of meeting the obligations under the lease agreement are expected to exceed the economic benefits expected to be received from the contract.

(d)Represents non-cash costs related to the loss on disposal of property and equipment due to construction of a new store concept at an existing store location in the current year period and to the closure of one store due to termination of sub-lease in the prior year period.

Reconciliation of Adjusted results from operating activities

(in thousands)	For the three months ended October 29, 2016	For the three months ended October 31, 2015	For the nine months ended October 29, 2016	For the nine months ended October 31, 2015
Results from operating activities	(6,640)	(866)	(7,506)	(4,989)
Stock-based compensation expense for cashless exercise (a)	—	—	—	4,052
CEO separation costs (b)	594	—	594	—
Impairment of property and equipment (c)	2,516	—	2,516	—
Provision for onerous contracts (d)	48	—	48	—
Loss on disposal of property and equipment (e)	311	—	311	292
Adjusted results from operating activities	**$ (3,171)**	$ (866)	**$ (4,037)**	$ (645)

(a) Represents expense related to cashless exercise of options by former employees.

(b) CEO separation costs represent salary owed to CEO of $505 payable as part of the separation agreement and stock-based compensation expense of $89 relating to the vesting of equity awards pursuant to the separation agreement.

(c) Represents costs related to impairment of property, equipment and intangible assets for stores.

(d) Represents provision and non-cash recovery related to certain stores where the unavoidable costs of meeting the obligations under the lease agreement are expected to exceed the economic benefits expected to be received from the contract.

(e) Represents non-cash costs related to the loss on disposal of property and equipment due to construction of a new store concept at an existing store location in the current year period and to the closure of one store due to termination of sub-lease in the prior year period.

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Reconciliation of Adjusted EBITDA to our net income (loss)

(in thousands)	For the three months ended October 29, 2016	For the three months ended October 31, 2015	For the nine months ended October 29, 2016	For the nine months ended October 31, 2015
Net loss	$ (4,960)	$ (871)	$ (5,713)	$ (146,185)
Finance costs	19	17	55	1,031
Finance income	(125)	(108)	(394)	(231)
Depreciation and amortization	2,308	1,613	6,345	4,526
Income tax recovery	(1,574)	(68)	(1,454)	(879)
EBITDA	**$ (4,332)**	$ 583	**$ (1,161)**	$ (141,738)
Additional adjustments:				
Stock-based compensation expense (a)	643	458	1,573	1,276
Stock-based compensation expense related to cashless exercise (b)	—	—	—	4,052
CEO separation costs related to salary (c)	505	—	505	—
Impairment of property and equipment (d)	2,516	—	2,516	—
Provision (recovery) for onerous contracts (e)	48	—	48	(265)
Deferred rent (f)	385	333	1,031	815
Loss on derivative financial instruments (g)	—	164	—	—
Loss on disposal of property and equipment (h)	311	—	311	292
Accretion of preferred shares (i)	—	—	—	401
Loss from embedded derivative on Series A, A-1 and A-2 preferred shares (j)	—	—	—	140,874
Adjusted EBITDA	**$ 76**	$ 1,538	**$ 4,823**	$ 5,707

(a) Represents non-cash stock-based compensation expense.

(b) Represents expense related to cashless exercise of options by former employees.

(c) CEO separation costs represent salary owed to CEO as part of the separation agreement.

(d) Represents costs related to impairment of property and equipment and intangible assets for stores.

(e) Represents provision and non-cash recovery related to certain stores where the unavoidable costs of meeting the obligations under the lease agreements are expected to exceed the economic benefits expected to be received from the contract.

(f) Represents the extent to which our annual rent expense has been above or below our cash rent.

(g) Represents the non-cash loss on derivative financial instruments.

(h) Represents non-cash costs related to the loss on disposal of property and equipment due to construction of a new store concept at an existing location in the current year period and to the closure of one store due to termination of sub-lease in the prior year period.

(i) Represents non-cash accretion expense on our preferred shares. In connection with the completion of our IPO on June 10, 2015, all of our outstanding preferred shares were converted automatically into common shares.

(j) Represents the non-cash market loss for the conversion feature of the Series A, A-1 and A-2 preferred shares. In connection with our IPO, this liability was converted into equity.

Three Months Ended October 29, 2016 Compared to Three Months Ended October 31, 2015

Sales. Sales for the three months ended October 29, 2016 increased 21.5%, or $7.8 million, to $44.1 million from $36.3 million for the three months ended October 31, 2015, comprising $0.3 million in comparable sales and $7.5 million in non-comparable sales. Comparable sales increased by 0.8% and non-comparable sales increased primarily due to an additional 42 net new stores opened as at October 29, 2016 as compared to October 31, 2015. Comparable sales fell short of our expectations for the three months ended October 29, 2016 as we faced more challenging overall consumer backdrop, compounded by issues related to changing our email service provider.

Gross Profit. Gross profit increased by 13.9%, or $2.5 million, to $20.5 million for the three months ended October 29, 2016 from $18.0 million for the three months ended October 31, 2015. Gross profit as a percentage of sales decreased to 46.5% for the three months ended October 29, 2016 from 49.6% for the three months ended October 31, 2015, driven by additional promotional activity, a shift in product sales mix and the adverse impact of the stronger U.S. dollar on U.S. dollar denominated purchases.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 43.9%, or $8.3 million, to $27.2 million in the three months ended October 29, 2016 from $18.9 million for the three months ended October 31, 2015. As a percentage of sales, selling, general and administration expenses increased to 61.6% for the three months ended October 29, 2016, as compared to 52.0% for the three months ended October 31, 2015. Excluding CEO separation costs, impairment of property and equipment, provision for onerous contracts and loss on disposal of property and equipment for the three months ended October 29, 2016, selling, general and administration expenses increased to $23.7 million in the three months ended October 29, 2016 from $18.9 million for the three months ended October 31, 2015, due primarily to the hiring of additional staff to support the growth of the Company, including new stores, and higher store operating expenses to support the operations of 225 stores as of October 29, 2016 as compared to 183 stores as of October 31, 2015. As a percentage of sales, selling, general and administration expenses excluding these one-time costs increased to 53.7% from 52.0%.

Results from Operating Activities. Results from operating activities decreased by 633.3%, or $(5.7) million, to $(6.6) million in the three months ended October 29, 2016 from $(0.9) million in the three months ended October 31, 2015. Excluding CEO separation costs, impairment of property and equipment, provision for onerous contracts and loss on disposal of property and equipment for the three months ended October 29, 2016, results from operating activities decreased by $2.3 million, to $(3.2) million from $(0.9) million for the three months ended October 31, 2015.

Income Tax Recovery. Recovery for income taxes increased $1.5 million, to $1.6 million for the three months ended October 29, 2016 from a recovery of $0.1 million for the three months ended October 31, 2015. The increase in the recovery for income taxes was due primarily to lower results from operating activities. Our effective tax rates were 24.1% and 7.3% for the three months ended October 29, 2016 and October 31, 2015, respectively.

Nine Months Ended October 29, 2016 Compared to Nine Months Ended October 31, 2015

Sales. Sales for the nine months ended October 29, 2016 increased 23.6%, or $24.8 million, to $129.7 million from $104.9 million for the nine months ended October 31, 2015, comprising $3.5 million in comparable sales and $21.3 million in non-comparable sales. Comparable sales increased by 3.5% and non-comparable sales increased primarily due to an additional 42 net new stores opened as at October 29, 2016 as compared to October 31, 2015. Comparable sales fell short of our expectations for the nine months ended October 29, 2016 as we faced more challenging overall consumer backdrop, compounded by issues related to changing our email service provider.

Gross Profit. Gross profit increased by 19.5%, or $10.4 million, to $63.6 million for the nine months ended October 29, 2016 from $53.2 million for the nine months ended October 31, 2015. Gross profit as a percentage of sales decreased to 49.0% for the nine months ended October 29, 2016 from 50.7% for the nine months ended October 31, 2015, driven by additional promotional activity, a shift in product sales mix and the adverse impact of the stronger U.S. dollar on U.S. dollar denominated purchases.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 31.4%, or $17.0 million, to $71.1 million in the nine months ended October 29, 2016 from $54.1 million for the nine months ended October 31, 2015. As a percentage of sales, selling, general and administration expenses increased to 54.8% for the nine months ended October 29, 2016, as compared to 51.5% for the nine months ended October 31, 2015. Excluding CEO separation costs, impairment of property and equipment, provision for onerous contracts and loss on disposal of property and equipment for the nine months ended October 29, 2016, as well as loss on disposal of property and equipment for the nine months ended October 31, 2015, selling, general and administration expenses increased to $67.6 million in the nine months ended October 29, 2016 from $53.8 million for the nine months ended October 31, 2015, due primarily to the hiring of additional staff to support the growth of the Company, including new stores, and higher store operating expenses to support the operations of 225 stores as of October 29, 2016 as compared to 183 stores as of October 31, 2015, as well as newly incurred public company costs. As a percentage of sales, selling, general and administration expenses excluding these one-time costs increased to 52.1% from 51.3%.

Results from Operating Activities. Results from operating activities decreased by 50.0%, or $2.5 million, to $(7.5) million in the nine months ended October 29, 2016 from $(5.0) million in the nine months ended October 31, 2015. Excluding CEO separation costs, impairment of property and equipment, provision for onerous contracts and loss on disposal of property and equipment for the nine months ended October 29, 2016, as well as stock-based compensation related to cashless exercise and the loss on disposal of property and equipement for the nine months ended October 31, 2015, results from operating activities decreased by $3.4 million, to $(4.0) million for the nine months ended October 29, 2016, from $(0.6) million for the nine months ended October 31, 2015.

Finance Costs. Finance costs were $0.1 milion for the nine months ended October 29, 2016, compared to $1.0 million for the nine months ended October 31, 2015, as a result of the repayment of the term loans, loan from the controlling shareholder and Revolving Facility and no accrued dividends due to the conversion of Series A, A-1 and A-2 preferred shares.

Income Tax Recovery. Recovery for income taxes increased by $0.6 million, to $1.5 million for the nine months ended October 29, 2016 from a recovery of $0.9 million for the nine months ended October 31, 2015. The increase in the recovery for income taxes was primarily due to lower results from operating activities. Our effective tax rates were 20.3% and 0.6% for the nine months ended October 29, 2016 and October 31, 2015, respectively. The effective tax rate increased as a result of the loss from embedded derivative on Series A, A-1 and A-2 preferred shares not recurring in Fiscal 2016 due to their conversion and cancellation.

Liquidity and Capital Resources

As at October 29, 2016 we had $33.1 million of cash primarily held with major Canadian financial institutions. Our working capital was $72.4 million as of October 29, 2016, compared to $82.8 million as at January 30, 2016.

Our primary sources of liquidity are cash on hand, cash flows from operations and borrowings under our revolving credit facility. Our primary cash needs are to support the increase in inventories as we expand the number of our stores, and for capital expenditures related to new stores and store renovations.

Capital expenditures typically vary depending on the timing of new stores openings and infrastructure-related investments. During fiscal 2016, we plan to spend approximately $21.0-$22.0 million on capital expenditures. We expect to devote approximately 85-90% of our capital budget to construct, lease and open 25 new stores in Canada and 15 new stores in the United States, and renovate a number of existing stores, with the remainder of the capital budget to make continued investment in our infrastructure.

Our primary working capital requirements are for the purchase of store inventory and payment of payroll, rent and other store operating costs. Our working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. Historically, we have funded our capital expenditures and working capital requirements with borrowings under our long-term debt and finance lease facilities and revolving credit facilities. Following our IPO, we funded our capital expenditures and working capital requirements with cash from our IPO and net cash provided by our operating activities.

We believe that our cash position, net cash provided by our operating activities and available borrowings under our revolving credit facility will be adequate to finance our planned capital expenditures and working capital requirements for the foreseeable future.

Cash Flow

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

	For the three months ended		For the nine months ended	
	October 29, 2016	**October 31, 2015**	**October 29, 2016**	**October 31, 2015**
Cash flows provided by (used in):				
Operating activities	$ **(22,255)**	$ (6,744)	$ **(24,826)**	$ (13,289)
Investing activities	**(6,175)**	(7,678)	**(16,358)**	(13,376)
Financing activities	**962**	(60)	**1,806**	55,132
Increases (decreases) in cash	$ **(27,468)**	$ (14,482)	$ **(39,378)**	$ 28,467

Cash Flows Provided by Operating Activities

Net cash used in operating activities decreased to $(22.3) million for the three months ended October 29, 2016 from $(6.7) million for the three months ended October 31, 2015. The decrease in the cash flows provided by operating activities was due primarily to investments in working capital, primarily in inventory to support our merchandising initiatives.

Net cash used in operating activities decreased to $(24.8) million for the nine months ended October 29, 2016 from $(13.3) million for the nine months ended October 31, 2015. The decrease in the cash flows provided by operating activities was due primarily to the stock-based compensation related to cashless exercise during the nine months ended October 31, 2015 that did not re-occur during the nine months ended October 29, 2016 and to investments in working capital, primarily in inventory to support our merchandising initiatives.

Cash Flows Provided by Investing Activities

Capital expenditures decreased $1.5 million, to $6.2 million for the three months ended October 29, 2016, from $7.7 million for the three months ended October 31, 2015. This decrease was primarily due to the timing of new store build-outs. We opened 17 new stores for the three months ended October 29, 2016, for which we have incurred costs during the three months ended July 30, 2016, compared to 18 new stores openings for the three months ended October 31, 2015, for which costs were primarily incurred during the three months ended October 31, 2015.

Capital expenditures increased $3.0 million, to $16.4 million for the nine months ended October 29, 2016, from $13.4 million for the nine months ended October 31, 2015. This increase was primarily due to the number of new store build-outs. We opened 32 net new stores for the nine months ended October 29, 2016 compared to 30 net new stores for the nine months ended October 31, 2015, and we anticipate opening an additional 7 stores during the three months ending January 28, 2017, for which we have primarily incurred costs during the nine months ended October 29, 2016, as compared to 10 stores during the three months ending January 30, 2016.

Cash Flows Provided By Financing Activities

Net cash flows provided by financing activities amounted to $1.0 million for the three months ended October 29, 2016 due to proceeds from share issuances, compared to $(0.1) million for the three months ended October 31, 2015, for which there were no proceeds from share issuances.

Net cash flows provided by financing activities amounted to $1.8 million for the nine months ended October 29, 2016 due to proceeds from share issuances, compared to $55.1 million for the nine months ended October 31, 2015, due to our initial public offering that occurred on June 10, 2015.

Credit Facility with Bank of Montreal

The Company has a credit arrangement (hereinafter referred to as “Credit Agreement”) with the Bank of Montreal (“BMO”) that provides for a revolving term facility, maturing October 31, 2019, in the principal amount of $20.0 million (which we refers to as the “Revolving Facility”) or the equivalent amount in U.S. dollars, repayable at any time. The Credit Agreement also provides for an accordion feature whereby we may, at any time prior to the end of the term and with the permission of BMO, request an increase to the Revolving Facility by an amount not greater than $10.0 million. As at October 29, 2016, we did not have any borrowings on the Revolving Facility.

The credit facility contains a number of financial and non-financial covenants that, among other things and subject to certain exceptions, restrict our ability to become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business. We also cannot make any dividend payments. As at October 29, 2016, we are in compliance with these covenants.

Off-Balance Sheet Arrangements

Other than operating lease obligations, we have no off-balance sheet obligations.

Contractual Obligations and Commitments

There have been no significant changes to our contractual obligations as disclosed in our consolidated financial statements for the fiscal year ended January 30, 2016, other than those which occur in the normal course of business.

Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgement involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed under note 3 to our consolidated financial statements for the year ended January 30, 2016 included in our Annual Report on Form 10-K dated April 12, 2016 and filed on April 13, 2016. There have been no material changes to the critical accounting policies and estimates since January 30, 2016, other than as described below.

Recently Issued Accounting Standards

During the nine-month period ended October 29, 2016, we implemented the following new accounting standards on the presentation of financial statements.

IAS 1, “Presentation of Financial Statements” (“IAS 1”), was modified in December 2014 when the IASB issued amendments to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the consolidated balance sheets and consolidated statements of income (loss) and comprehensive income (loss). These amendments shall be applied to fiscal years beginning on or after

January 1, 2016. The Company has adopted this accounting standard effective on January 31, 2016, the first day of our newest fiscal year. The adoption of IAS 1 has resulted in no impact to the consolidated financial statements.

Information on significant new accounting standards and amendments issued but not yet adopted is described below.

IFRS 9, “Financial Instruments”(“IFRS 9”), partially replaces the requirements of IAS 39, “Financial Instruments: Recognition and Measurement”. This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on the Company’s consolidated financial statements and related note disclosures.

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”) replaces IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard on the Company’s consolidated financial statements and related note disclosures.

IFRS 16, “Leases” (“IFRS 16”) replaces IAS 17, “Leases”. This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is currently assessing the impact of adopting this standard on our consolidated financial statements and related note disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the foreign exchange and interest rate risk discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K dated April 12, 2016 and filed on April 13, 2016.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of October 29, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of October 29, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the nine-month period ended October 29, 2016, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of any matters in which we are currently involved will have a material adverse affect on our financial position or on our results of operations.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K dated April 12, 2016 and filed on April 13, 2016, pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the “Securities Act”).

Item 2. Unregistered Sales of Equity Securities

Recent Sales of Unregistered Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

10.37	Principal Executive Officer Separation Agreement, dated as of October 20, 2016.
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

DAVIDsTEA INC.

Date: December 8, 2016	By:	/s/ Sylvain Toutant
	Name:	Sylvain Toutant
	Title:	President and Chief Executive Officer

PRIVATE & CONFIDENTIAL

October 20, 2016

Sylvain Toutant
1177 Place Henri-Gauthier
Montreal, Québec
H2M 2S1

Dear Sylvain,

Further to our discussions, this letter confirms our agreement regarding the cessation of your employment with DAVIDsTEA Inc. (the "**Company**") and its subsidiaries, effective as of January 28, 2017 (being the last day of the Company's 2016 fiscal year), or at an earlier date, as determined by the Chairman of the Board of Directors of the Company (the "**Board**"), on behalf of Board, in consultation with Sylvain Toutant, (the "**Effective Date**"), the whole as more fully described below.

I. ***Interests in THE COMPANY***

1. **Severance Payment.** Subject to the conditions set forth in this letter, the Company shall continue to pay to Sylvain Toutant, in accordance with and subject to usual deductions at source, (a) the Basic Payments (as defined in Sylvain Toutant's amended and restated executive employment agreement (the "**Employment Agreement**") dated March 30, 2015) and (b) his salary (at a rate of CDN$392,000 per annum) for eighteen months, inclusive of all outstanding accrued vacation days, from the Effective Date.

2. **Performance Bonus**. In accordance with the Employment Agreement, Sylvain Toutant is eligible for an annual cash performance bonus in the event the Board or its human resources and compensation committee (the "**Committee**") determines, in their sole discretion, that the performance milestones established by the Board (or the Committee) near the beginning of each fiscal year have been achieved for such year. The 2016 bonus payment (the "**2016 Bonus**") will be determined by the Board (or the Committee) based on the 2016 audited fiscal year-end results of the Company to be filed publicly. The 2016 Bonus, if any, shall be paid to Sylvain Toutant within 30 days following the date on which the audited fiscal year-end results are filed and in accordance with the conditions set forth in this letter and subject to the usual deductions at source. For greater certainty, the 2016 Bonus shall be paid in one payment.

3. **Common Shares**. Sylvain Toutant currently holds the following common shares in the capital of the Company ("**Common Shares**") including 78,170 Common Shares (being the "**Restricted Shares**") which are subject to the Company's 2015 Omnibus Equity Incentive Plan (the "**LTIP**") dated March 31, 2015 and Restricted Stock Agreements (the "**RSAs**") between the Company and Sylvain Toutant dated March 31, 2015 and April 15, 2016. The number of Common Shares underlying the Restricted Shares that are unvested as of the Effective Date will immediately vest in an amount equal to (i) the product obtained by multiplying (A) the total number of Common Shares underlying the award by (B) a fraction, the numerator of which is the number of days in the period beginning on the Date of Grant (as such term is defined in the LTIP) and ending on the six-month anniversary of the Effective Date, and the denominator of which is the number of days in the period beginning on the Date of Grant and ending on the third anniversary of the Date of Grant, minus (ii) the number of Common Shares underlying the award that had vested pursuant to the vesting schedule as of the Effective Date. The portion of any Restricted Share that is unvested and does not vest after application of the preceding sentence will be immediately forfeited upon the Effective Date without any payment or consideration due by the Company.

4. **Vested Options**. Sylvain Toutant was granted: (i) an option to purchase 583,616 Common Shares (the "**2014 Option Shares**") pursuant to an amended and restated equity incentive plan dated April 3, 2012, as amended from time to time (the "**Equity Plan**") and a stock option agreement (the "**2014 Option Agreement**") dated June 2, 2014, as amended, and, (ii) an option to purchase 42,760 Common Shares (the "**2016 Option Shares**" and, together with the 2014 Option Shares, the "**Options**") in accordance with the LTIP and a stock option agreement (the "**2016 Option Agreement**") dated April 15, 2016, as amended.

   (a) As of the date of execution of this agreement, 42,843 of the 2014 Option Shares have been exercised by Sylvain Toutant, 297,605 of the remaining 2014 Option Shares have vested (the "**Vested 2014 Options**") and 243,168 of the 2014 Options Shares remain unvested (the "**Unvested 2014 Options**"). Notwithstanding the terms of the 2014 Option Agreement and the Equity Plan, the Vested 2014 Options shall remain exercisable for a period of 180 days following the Effective Date and all Unvested 2014 Options shall be fully accelerated and vested as at the Effective Date and be exercisable for a period of 180 days following the Effective Date.

   (b) As of the date of execution of this agreement, none of the 2016 Option Shares have vested and 42,760 of the 2016 Options Shares remain unvested (the "**Unvested 2016 Options**"). Notwithstanding the terms of the 2016 Option Agreement and as authorized under the LTIP, the Board approved that all of the Unvested 2016 Options shall be deemed fully accelerated and vested as at the Effective Date and be exercisable for a period of 180 days following the Effective Date.

   In accordance with the terms of the Equity Plan and the LTIP, as applicable, the options (together, the "**Options**") to purchase the 2014 Option Shares and the 2016 Option Shares shall immediately expire and be cancelled on the day that is 180 days plus one day following the Effective Date.

   Sylvain Toutant further agrees that he shall not, without the Company's prior written approval, directly or indirectly, sell any number of Common Shares (whether such Common Shares are currently held or become held by him as a result of the exercise of Options or upon the vesting of Restricted Shares in accordance with paragraphs I.3 and I.4 above) that exceeds, in any given day, 15% of the 30-day average daily volume of the Common Shares traded on the NASDAQ Stock Exchange.

5. The amounts and concessions mentioned in paragraphs I.1 to I.4 above include all amounts and benefits to which Sylvain Toutant may be entitled pursuant to any consulting agreement, any benefit package, any employment agreement, any other contract (verbal or written) existing between Sylvain Toutant and the Company and its subsidiaries, and their respective officers, directors, shareholders, successors, predecessors and affiliates and all applicable laws.

II. ***End of Employment Relationship***

1. **Cessation of employment relationship**. As of the Effective Date, Sylvain Toutant and the Company agree to end their employment relationship, and Sylvain Toutant agrees to resign from every office and directorship held with the Company or any of its subsidiaries. Sylvain Toutant and the Company agree to execute any and all documents appropriate to evidence such cessation of employment. The Company will complete a Record of employment stating "end of employment contract".

2. **Group Benefits**. The existing group benefit coverage shall continue in accordance with the terms of the policies (other than disability insurance plans which shall terminate immediately) until the

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earlier of: (i) the date that is eighteen (18) months after the Effective Date, or (ii) the date Sylvain Toutant accepts alternate employment providing group benefit insurance coverage.

3. **Computer and Phone.** Subject to paragraph II.4 below, the Company hereby agrees that Sylvain Toutant can retain ownership of the laptop computer and can retain ownership of the cellular telephone acquired for and used by him in connection with his employment with the Company following the transfer of the contract relating to said cellular telephone from the Company's name to Sylvain Toutant's name.

4. **Office Transition.** As discussed, the transition out of your office at the Company will be completed by the end of the Effective Date, and by then, you will have returned all equipment, documents and confidential information belonging to the Company or its affiliates used or possessed by you, or under your control, in the course of your employment with the Company, other than those items for which you shall retain ownership pursuant to paragraph II.3. To the extent that any Company data (the "**Company Data**") resides on your personal computer hardware or software, you agree to make a copy of such property and deliver it to the Company, and immediately following the Effective Date, you will permanently destroy such Company Data so that it is irretrievable.

5. **Post-Employment Obligations.** You acknowledge and agree to comply with the obligations set forth in Schedule "B".

6. **Non-Disclosure.** You agree to keep the terms of this letter in strict confidence and not to disclose the fact, terms or nature of this letter to any person, except to your immediate family and, to the extent that such disclosure may permit you to obtain tax planning, legal or similar advice, to your legal and financial advisers, and as may be required by law. You will cause your immediate family and advisors to keep this letter confidential. Reciprocally, the Company, agrees to keep the terms of this letter in strict confidence and not to disclose the fact, terms or nature of this letter to any person, except to its legal and financial advisers, and as may be required by law.

7. **Mutual Non-Disparagement and Communications.** You agree not to engage in any conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the Company, its affiliates, its present and former officers, directors, employees, representatives and agents, or the products or services they provide ("**Disparaging Conduct**"). You further agree not to authorize or assist others to engage in Disparaging Conduct.

   Reciprocally, the Company will instruct its executive officers and board members not to engage in any Disparaging Conduct in respect of you and will instruct its executive officers and board members not to authorize or assist others to engage in Disparaging Conduct with respect to Sylvain Toutant.

   The Company and you agree to work together in good faith to establish a mutually acceptable plan with respect to any communications with third parties by either the Company or yourself in respect of the cessation of your business relationship with the Company.

8. **Release Form.** In addition to the above conditions, all payments under this letter are conditional upon you signing a copy of this letter, signing the full and final release form attached as Schedule "A" in the presence of a witness and returning original signed copies of both the letter and release form on the date hereof.

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9. **Ongoing Compliance.** The obligation to pay the payments in this letter is conditional upon your ongoing compliance with your obligations in this letter. If you materially breach any of your obligations to the Company, the terms of this letter and the release will continue to be binding however, all payments under this letter will cease and the Company will be under no obligation to make any further payments.

10. **Legal Fees and Reimbursement for Costs.** The Company agrees to pay your reasonable legal fees and any out of pocket expenses (following receipt by the Company of adequate documentation of such expenses) you reasonably incurred in connection with end of the employment relationship, including the negotiation and the review of this letter up to a maximum of $10,000 before taxes and disbursements.

III. ***General Provisions***

1. **Currency and Withholdings.** All payments under this letter are in Canadian dollars, will be made in accordance with paragraph I.1 and I.2 hereof and are subject to any applicable withholding taxes and statutory or authorized deductions.

2. **Acknowledgement.** You agree that the arrangements set out in this letter fully satisfy the Company's and all of its affiliates' obligations to you in respect of the cessation of your employment and the cessation of your relationship with the Company, and you will not be entitled to further notice of termination, indemnification or severance pay under the *Civil Code of Québec* (the "**CCQ**") or contract.

3. **Severability.** If any provision of this letter or its application in a circumstance is restricted, prohibited or unenforceable, the provision shall be ineffective only to the extent of the restriction, prohibition or unenforceability without invalidating the remaining provisions of this letter and without affecting its application to other circumstances.

4. **Enurement.** This letter, which includes the full and final release attached hereto as Schedule "A", shall enure to the benefit of and be binding upon you, the Company and each of our respective successors and assigns, including, without limitation, your heirs, executors, administrators and personal representatives.

5. **No Admission of Liability.** You understand and agree that nothing in this letter shall be deemed to be an admission of liability on the part of the Company and, in fact, such liability is specifically denied by the Company. Similarly, we understand and agree that nothing in this letter shall be deemed to be an admission of liability on your part or any of your affiliates, and, in fact such liability is specifically denied by you and your affiliates.

6. **Entire Agreement.** This letter is the full agreement of the parties, replaces any prior agreement between the parties hereto and may not be modified except in writing and executed by all parties.

7. **Legal.** The present document constitutes a transaction pursuant to Section 2631 and following of the CCQ. The parties have expressly requested that the present document be drafted in English. *Les parties ont expressément demandé que le présent document soit rédigé en anglais*.

[Signature page follows.]

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On behalf of everyone at the Company, let us once again thank you for your service. We wish you well in your future endeavours.

Sincerely yours,

DAVIDSTEA INC.

Per:(s) Maurice Tousson
Maurice Tousson, Chairman of the Board

And

Per:(s) Lorenzo Salvaggio
Lorenzo Salvaggio, Board member

The undersigned has read and understands and agrees to the terms of the agreement set forth in this letter. Sylvain Toutant also agrees to sign and to be bound by the terms of the attached release form. The undersigned acknowledges that he has been given the opportunity to obtain independent legal advice with respect to this letter and attached release form.

October 20, 2016
Date

(s) Sylvain Toutant
Sylvain Toutant

Schedule "A"

Full and Final Release

I, Sylvain Toutant, on my own behalf and on behalf of all of my related persons and entities (including 9222-2116 Québec Inc.), in exchange for the consideration of the terms described in the attached agreement dated October 20, 2016 (the "**Letter Agreement**"), and other good and valuable consideration the sufficiency of which is hereby expressly acknowledged, agree, represent and warrant that:

1. I remise, release, acquit and forever discharge DavidsTea Inc. and all of its predecessor, subsidiary, parent, related, affiliated and successor entities, companies or partnerships (collectively, the "**Companies**") and all present and former shareholders, officers, directors, employees, representatives and agents of the Companies (collectively, the "**Released Individuals**") (the Companies and the Released Individuals are collectively referred to as the "**Releasees**") of and from all actions, causes of action, applications, suits, complaints, liabilities, debts, demands, damages, costs, torts (both intentional and unintentional), dues, bonds, accounts, covenants, contracts, statutory rights and all or any claims whatsoever that exist or may exist which I or we ever had, now have or which I can, shall or may hereafter have for or by reason of any cause, matter or thing whatsoever (collectively, "**Claims**"), including without limitation, all or any Claims in respect of: (a) my hiring, engagement, relationship or employment by any of the Releasees; (b) the cessation of such employment, engagement or relationship; (c) any benefits provided to me or which should have been provided to me during my employment, engagement or relationship or subsequent to the cessation of my employment, engagement or relationship; and (d) all past, present or future payments from any and all compensation or incentive programs of the Companies save and except for (i) the obligations and undertakings of the Companies towards Sylvain Toutant set out in the Letter Agreement (including the schedules thereto) and (ii) to the extent the applicability of such release of Claims may in any way invalidate the Companies' directors and officers liability insurance policy as it pertains to Sylvain Toutant. For greater certainty, other than the options or the shares described in paragraphs I.3 and I.4 of the Letter Agreement, I neither own nor have any interest in any shares, options, securities or other equity interest in the Companies.

2. Except for (i) the obligations and undertakings of the Companies towards Sylvain Toutant set out in the Letter Agreement (including the schedules thereto) and (ii) to the extent the applicability of such release of Claims may in any way invalidate the Companies' directors and officers liability insurance policy as it pertains to Sylvain Toutant, I have no further Claim against the Releasees in respect of my employment, engagement or relationship or the cessation thereof including, without limitation, any complaints of reprisal or retaliation or claims for specific performance, damages, reinstatement, wages, notice of termination, pay in lieu of such notice, severance pay, perquisites, expenses, pension contributions, retirement savings account contributions, allowances, benefits, retirement benefits, arrangements in respect of equity in the Companies, bonus or other incentive compensation, interest, vacation pay, overtime pay, holiday pay or any other Claims whether under contract, the common law, the civil law, equity, any policy of any of the Companies, regulation or statute, including without limitation: any applicable employment standards legislation, as amended or replaced, including the Act Respecting Labour Standards (Québec) (all such legislation referred to as the "**ARLS**"), the Civil Code of Québec, the Pay Equity Act (Québec), the Supplemental Pension Plans Act (Québec), the Workers Compensation Act (Québec), the Act Respecting Occupational Health and Safety (Québec), or any other similar legislation. I specifically have no further claims, rights to arbitration, complaints or recourse under Sections 122, 122.1, 123, 123.1, 123.6 and 124 of the ARLS.

3. I have had the opportunity to discuss or otherwise canvass with my legal counsel any and all human rights complaints, concerns, issues or potential applications arising out of or in respect of my employment and the cessation of my employment and I and we hereby release the Releasees from any and all claims under the *Charter of Human Rights and Freedoms* (Québec) (the "**Québec Charter**") in respect of my employment, engagement or relationship and/or the cessation thereof, and I am aware of my rights under the Québec Charter and I hereby represent and acknowledge that I am not asserting any rights or advancing a human rights claim, application or complaint.

4. Provided (i) the Companies do not breach their obligations and undertakings towards Sylvain Toutant set out in the Letter Agreement (including the schedules thereto), and (ii) to the extent the applicability of such release of Claims may invalidate the Companies' directors and officers liability insurance policy as it pertains to Sylvain Toutant, I will not make any Claim or threaten, commence, participate in, take or continue any proceedings in any jurisdiction against the Releasees in respect of any matter covered by this Full and Final Release. I also agree not to make any Claim or threaten, commence, participate in, take or continue any proceedings in any jurisdiction against any person, corporation or other entity who or which might claim contribution, indemnity or any other relief from any of the Releasees.

5. If I make any Claim or threaten, commence, participate in, take or continue any proceedings in any jurisdiction against the Releasees in respect of any Claim for or by reason of any cause, matter or thing, this Full and Final Release may be raised as a complete bar to any such Claim or proceedings. I further agree that commencing any proceedings against any of the Releasees, including any complaint under the ARLS or the Québec Charter, would contravene my representations in this Full and Final Release and cause irreparable harm to my relationship of trust with the Companies, provided, in all cases set forth above, (i) the Companies have not breached their obligations and undertakings towards Sylvain Toutant set out in the Letter Agreement (including the schedules thereto), and (ii) to the extent the applicability of such release of Claims may invalidate the Companies' directors and officers liability insurance policy as it pertains to Sylvain Toutant.

6. I will indemnify and save harmless the Releasees from and against all Claims, charges, penalties, interest or income or other taxes made or assessed by any Canadian federal, provincial or other governmental or public department, agency or entity, including without limitation the Receiver General for Canada, the Canada Revenue Agency, Revenu Québec and the Regie des rentes du Québec, under the Income Tax Act (Canada), the Taxation Act (Québec), the Canada Pension Plan (Canada), the Employment Insurance Act (Canada) or any other statute or regulation, in respect of any failure on the part of the Releasees to withhold any taxes, premiums, payments, benefit overpayments, levies or other amounts from all or any part of the payments set out in the Letter Agreement or any wages or other amounts paid to me during my employment or in respect of any amounts including penalties and interest payable by the Releasees in respect of my employment, engagement or relationship or under the Letter Agreement.

7. I will maintain the terms of the Letter Agreement and this Full and Final Release in strict confidence and will not disclose such terms to any person, except to my immediate family and to the extent that such disclosure may be required by law or to permit me to obtain tax planning, legal or similar advice. I covenant that any of the members of my immediate family and my advisors to whom I disclose the terms of the Letter Agreement and/or this Full and Final Release will in turn agree to be bound by this same non-disclosure obligation and that any disclosure of the terms of this Letter Agreement and/or Full and Final Release by any of them will be considered a breach of the Letter Agreement and Full and Final Release by me.

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8. All of the foregoing shall enure to the benefit of the Releasees, their successors and assigns, and be binding upon me and my respective heirs, executors, administrators, successors and assigns.

9. The present document constitutes a transaction pursuant to Section 2631 and following of the *Civil Code of Québec*. I acknowledge and agree that the present release was drafted in the English language at the wish of all the parties thereto. *Je reconnais et accepte que la présente convention a été rédigée en langue anglaise à la demande expresse de toutes les parties y afférentes.*

I, on my own behalf and on behalf of all of my related persons and entities (including 9222-2116 Québec Inc.), represent that I have had an opportunity to obtain independent legal advice in respect of the Letter Agreement and this Full and Final Release. I, on my own behalf and on behalf of all of my related persons and entities (including 9222-2116 Québec Inc.), represent that I understand that this Full and Final Release contains a full and final release of all claims that I have or may have against the Releasees and that there is no admission of liability on the part of the Releasees and that any such liability is denied. I, on my own behalf and on behalf of all of my related persons and entities (including 9222-2116 Québec Inc.), represent that I am executing this Full and Final Release freely and voluntarily.

SIGNED in the presence of:	
(s) Louise Poirier	(s) Sylvain Toutant
WITNESS SIGNATURE	Sylvain Toutant
Louise Poirier	
PRINT NAME OF WITNESS	DATE October 20, 2016

-

9222-2116 QUÉBEC INC.

Per: (s) Sylvain Toutant
Sylvain Toutant

DATE : October 20, 2016

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Schedule "B"

CONFIDENTIALITY

(a) **General**. Sylvain Toutant agrees not to use, sell, circulate or otherwise distribute or divulge to any person or entity, or in any way disclose to any person, entity or the public in general, any Confidential Information (as defined below) for a period of 24 months after the Effective Date.

"**Confidential Information**" means all information, howsoever received by Sylvain Toutant relating directly or indirectly to the business of the Company, whether from, through or pertaining to the Company or any of its affiliates, and in whatever form (whether oral, written, machine readable, digital, electronic or otherwise); provided, however, that the term "Confidential Information" will not include information which: (i) is, demonstrably, in the public domain, without any fault or responsibility on Sylvain Toutant's part; (ii) after disclosure to him, is lawfully received by Sylvain Toutant from another person who is lawfully in possession of such Confidential Information and such other person was not restricted from disclosing said information to Sylvain Toutant; (iii) is, demonstrably, independently developed by Sylvain Toutant through persons who have not had access to, or knowledge of, the Confidential Information; or (iv) is approved by the Company for disclosure prior to its actual disclosure.

(b) **Trade Secrets**. Notwithstanding Section 1(a), Sylvain Toutant shall not, at any time, whether during the term of, or following the termination for any reason of, this Letter Agreement, disclose a trade secret of the Company or of any of its affiliates.

(c) **Works**. Any document or work assembled or composed by Sylvain Toutant which contains Confidential Information shall constitute and be treated as Confidential Information. He shall not publish or divulge, or allow the publication or disclosure, of any material containing Confidential Information without the prior written consent to such effect of the Company.

(d) **Property**. Confidential Information and the documents, works, instruments or other medium containing Confidential Information shall remain the property of the Company and be returned immediately to the Company upon request.

(e) **Intellectual Property**. To the extent not already done, Sylvain Toutant hereby assigns and transfers to the Company, all right, title and interest in and to all inventions, works, discoveries, improvements and innovations developed or created by Sylvain Toutant either alone or jointly with others, in the course of Sylvain Toutant's employment with the Company and in any way relating to the business and/or the operations and affairs of the Company and its affiliates, together with all intellectual property rights residing therein or related thereto including, without limitation, patents, copyrights, industrial designs, trademarks and trade secrets as well as any applications or registrations filed or obtained thereon (the "**Intellectual Property**") and hereby waives any and all author's, moral, and proprietary rights that Sylvain Toutant may now or in the future have in any such Intellectual Property developed in the course of his employment with the Company or its predecessors.

(f) **Ongoing Cooperation**. For a period of 18 months after the Effective Date, Sylvain Toutant shall, upon reasonable notice by the Company, furnish such information and proper

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assistance to the Company as may be reasonably required by the Company in order to effect an efficient and orderly transition or otherwise as may be necessary for the Company's business and operations and, in doing so, shall be reasonably compensated by the Company for his time and for any out of pocket expenses (following receipt by the Company of adequate documentation of such expenses) reasonably incurred in connection therewith.

(g) **Governmental Request**. Nothing in this Letter Agreement shall prevent the disclosure of Confidential Information where such disclosure must be made in response to the formal request of a governmental body, agency or a court of law; in each case, of competent jurisdiction, but Sylvain Toutant shall inform the Company of such request immediately, and in any case prior to any such disclosure, in order, thereby, to allow the Company to take the appropriate measures to contest such request for disclosure if it so decides. Sylvain Toutant shall fully cooperate with the Company in its efforts to contest such request for disclosure and, in doing so, shall be reasonably compensated by the Company for his time and for any out of pocket expenses (following receipt by the Company of adequate documentation of such expenses) reasonably incurred in connection therewith.

NON-COMPETITION

(h) **Prohibition**. Sylvain Toutant shall not, for a period of 18 months after the Effective Date, on his own behalf or on behalf of any other person or entity, whether directly or indirectly, in any material capacity, alone, through or in connection with any person or entity, carry on, be engaged in or employed by, or have any material financial or other interest in, anywhere in North America, the United Kingdom, France, Germany or India, (i) any endeavour, activity, or business, which is (in whole or in part) in direct competition with the Business of the Company, or (ii) any current or past suppliers of the Company in respect of the Business of the Company.

For the purposes of this Letter Agreement, the term "**Business**" shall mean the tea business.

OBLIGATION OF NON-SOLICITATION

(i) **Prohibition**. Sylvain Toutant shall not, for a period of 18 months after the Effective Date on his own behalf or on behalf of any other person or entity, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any person or entity:

A. offer employment to or solicit the employment, services or other engagement of any individual who is employed or engaged by the Company or of any of its affiliates; or

B. persuade or attempt to persuade any customers or suppliers of the Company or of any of its affiliates existing as at the Effective Date, to discontinue or materially alter the relationship with any of the foregoing of such person or entity.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, DAVIDsTEA INC.

I, Sylvain Toutant, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 29, 2016 of DAVIDsTEA 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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 registrant and 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (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 registrant'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 registrant's internal control over financial reporting.

Date: December 8, 2016

/s/ Sylvain Toutant
Sylvain Toutant
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, DAVIDsTEA INC.

I, Luis Borgen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 29, 2016 of DAVIDsTEA 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 registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) 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 registrant and 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 registrant, 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 registrant’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 registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (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 registrant’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 registrant’s internal control over financial reporting.

Date: December 8, 2016

/s/ Luis Borgen
Luis Borgen
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DAVIDsTEA Inc. (the "Company") on Form 10-Q for the period ended October 29, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Sylvain Toutant, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 8, 2016

/s/ Sylvain Toutant
Sylvain Toutant
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to DAVIDsTEA Inc. and will be retained by DAVIDsTEA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DAVIDsTEA Inc. (the "Company") on Form 10-Q for the period ended October 29, 2016, as filed with the Securities and Exchange Commission (the "Report"), I, Luis Borgen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 8, 2016

/s/ Luis Borgen
Luis Borgen
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to DAVIDsTEA Inc. and will be retained by DAVIDsTEA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.