

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 2, 2023**



DAVIDsTEA Inc.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction
of incorporation)

98-1048842

(I.R.S. Employer
Identification Number)

001-37404

(Commission File Number)

**5430 Ferrier,
Town of Mount-Royal,
Québec, Canada**

(Address of principal executive offices)

H4P 1M2

(Zip Code)

(888) 873-0006

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value per share	DTEA	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On February 2, 2023, DAVIDsTEA Inc., a corporation incorporated under the *Canada Business Corporations Act* (the "Company"), issued a press release announcing its preliminary results for the fourth quarter and fiscal year ended January 28, 2023, and a plan to adjust its cost structure.

A copy of the press release related to this announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference to this Item 2.02. The information contained in this Item, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for any purpose, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, regardless of any general incorporation language in any such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit

No. Description

[99.1](#) [Press Release, dated February 2, 2023](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL Document)

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SIGNATURE

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 hereunto duly authorized.

DAVIDsTEA INC.

Date: February 3, 2023

By: /s/ Frank Zitella

Name: Frank Zitella

Title: President, Chief Financial and Operating Officer

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DAVIDsTEA Aligns Cost Structure with Continued Focus on Path to Profitability

SG&A Cost Structure to be Reduced by \$8.0 million to \$10.0 million

MONTREAL, February 2, 2023 – DAVIDsTEA Inc. (Nasdaq: DTEA) (“DAVIDsTEA” or the “Company”), a leading tea merchant in North America, provided preliminary sales results for its fourth quarter ended January 28, 2023, and announced a plan to adjust its cost structure amid continuing macro-economic uncertainty.

“Like many other retail brands, we experienced difficult market conditions in the fourth quarter as consumer wallets were impacted by rising inflation and higher interest rates that reduced demand,” explained Sarah Segal, Chief Executive Officer and Chief Brand Officer, DAVIDsTEA. “The decision to implement a cost-containment plan is necessary to align our cost structure with our current sales level to sustain our digital-first, omnichannel growth strategy. We are also in the process of addressing certain operational issues that affected the overall consumer experience earlier in the quarter. Despite these challenges, we firmly believe in our long-term growth plan and vision. Our goal remains focused on delivering high-quality, loose-leaf teas, accessories and gifts alongside a superior consumer experience, in the most efficient and leading way possible.”

“Sales for the fourth quarter ended January 28, 2023 are estimated between \$29.0 million and \$31.0 million with the midpoint of the range representing a year-over-year decrease of 25%,” noted Frank Zitella, President, Chief Financial and Operating Officer, DAVIDsTEA. “The anticipated sequential increase in fourth quarter sales over the third quarter reflects normal seasonality and is consistent with previous years. Full-year fiscal 2022 revenues are estimated between \$80.0 million and \$82.0 million and, using the midpoint of this sales range, amount to a decrease of 22% over the prior year. Our wholesale and retail channels in Canada performed well with year-over-year sales increases in both channels, but not sufficient to offset the decline in our online sales results.”

The Company has implemented several cost-cutting measures on its path to profitability, including the temporary lay-off of 15% of head-office staff and cutting other expenses by \$6.0 million to \$8.0 million. These reductions consist of the elimination of IT transformation investments of \$4.0 million undertaken in fiscal year 2022 that will be in maintenance mode in fiscal year 2023. SG&A costs on a pro-forma basis are expected to be reduced between \$8.0 million and \$10.0 million in fiscal 2023. The Company continues to manage its cash and working capital with a cash position of approximately \$22.0 million at year end, no debt and a solid working capital position.

More details about the cost-containment plan will be outlined when DAVIDsTEA releases its fourth quarter results for fiscal 2022 on April 28, 2023.

About DAVIDsTEA

DAVIDsTEA offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories and gifts through its e-commerce platform at www.davidstea.com and the Amazon Marketplace, its wholesale customers which include over 3,800 grocery stores and pharmacies, and 18 company-owned stores across Canada. The Company offers primarily proprietary tea blends that are exclusive to the Company, as well as traditional single-origin teas and herbs. Our passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health and lifestyle elements of tea. With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven “collections” with a mission of making tea fun and accessible to all. The Company is headquartered in Montréal, Canada.

Caution Regarding Forward-Looking Statements

This press release includes statements that express our opinions, expectations, beliefs, plans or assumptions 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”, “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 and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our strategy of transitioning to e-commerce and wholesale sales, future sales through our e-commerce and wholesale channels, our results of operations, financial condition, liquidity and prospects, and the impact of the COVID-19 pandemic on the global macroeconomic environment.

While we believe these opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended January 29, 2022, filed with both the United States Securities and Exchange Commission and with the Autorité des marchés financiers, on April 29, 2022 which could materially affect our business, financial condition or future results.

Investor Contact

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