



DAVIDsTEA Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine-month periods ended October 28, 2023 and October 29, 2022

All expressed in Canadian dollars

NOTICE

The Company's independent auditors have not reviewed these Interim Condensed Consolidated Financial Statements in accordance with the standard established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

DAVIDsTEA Inc.

Interim Consolidated Balance Sheets

(Unaudited, and amounts in thousands of Canadian dollars)

| | | <u>As at</u> | |
|--|-------------|----------------------|----------------------|
| | | <u>October 28,</u> | <u>January 28,</u> |
| | | <u>2023</u> | <u>2023</u> |
| | <u>Note</u> | <u>\$</u> | <u>\$</u> |
| ASSETS | | | |
| Current | | | |
| Cash | | 11,734 | 22,440 |
| Accounts and other receivables | | 2,420 | 3,258 |
| Inventories | | 18,106 | 19,522 |
| Prepaid expenses and deposits | | <u>6,042</u> | <u>5,839</u> |
| Total current assets | | 38,302 | 51,059 |
| Property and equipment | | 1,686 | 510 |
| Intangible assets | | 1,818 | 1,679 |
| Right-of-use assets | | <u>8,049</u> | <u>9,345</u> |
| Total assets | | <u><u>49,855</u></u> | <u><u>62,593</u></u> |
| LIABILITIES AND EQUITY | | | |
| Current | | | |
| Trade and other payables | | 10,722 | 12,310 |
| Deferred revenue | | 4,953 | 5,363 |
| Current portion of lease liabilities | | <u>2,506</u> | <u>2,543</u> |
| Total current liabilities | | 18,181 | 20,216 |
| Non-current portion of lease liabilities | | <u>6,415</u> | <u>7,682</u> |
| Total liabilities | | 24,596 | 27,898 |
| Commitments and contingencies | | | |
| EQUITY | | | |
| Share capital | 4 | 114,471 | 114,163 |
| Contributed surplus | | 2,487 | 2,530 |
| Deficit | | (94,918) | (85,175) |
| Accumulated other comprehensive income | | <u>3,219</u> | <u>3,177</u> |
| Total equity | | <u>25,259</u> | <u>34,695</u> |
| Total liabilities and equity | | <u><u>49,855</u></u> | <u><u>62,593</u></u> |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

DAVIDsTEA Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited and amounts in thousands of Canadian dollars, except share and per share information)

| | Note | For the three-months ended | | For the nine-months ended | |
|---|------|----------------------------|------------------------|---------------------------|------------------------|
| | | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| | | \$ | \$ | \$ | \$ |
| | | | (Restated - Note 2) | | (Restated - Note 2) |
| Sales | 8 | 12,145 | 16,176 | 36,292 | 51,670 |
| Cost of sales | 5 | 7,539 | 10,506 | 22,428 | 31,965 |
| Gross profit | | 4,606 | 5,670 | 13,864 | 19,705 |
| Selling, general and administration expenses | 6 | 8,325 | 10,313 | 23,955 | 30,935 |
| Results from operating activities | | (3,719) | (4,643) | (10,091) | (11,230) |
| Finance costs | | 143 | 194 | 502 | 532 |
| Finance income | | (132) | (120) | (628) | (236) |
| Net loss | | (3,730) | (4,717) | (9,965) | (11,526) |
| Other comprehensive income: | | | | | |
| Cumulative translation adjustment | | 35 | 285 | 42 | 316 |
| Other comprehensive income, net of tax | | 35 | 285 | 42 | 316 |
| Total comprehensive loss | | (3,695) | (4,432) | (9,923) | (11,210) |
| Net loss per share: | | | | | |
| Basic | 7 | (0.14) | (0.18) | (0.37) | (0.44) |
| Fully diluted | 7 | (0.14) | (0.18) | (0.37) | (0.44) |
| Weighted average number of shares outstanding: | | | | | |
| Basic | 7 | 26,756,842 | 26,566,441 | 26,694,288 | 26,493,484 |
| Fully diluted | 7 | 26,756,842 | 26,566,441 | 26,694,288 | 26,493,484 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

DAVIDsTEA Inc.

Interim Consolidated Statements of Cash Flows (Unaudited and amounts in thousands of Canadian dollars)

| | For the three-months ended | | For the nine-months ended | |
|---|----------------------------|---------------------|---------------------------|---------------------|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net loss | (3,730) | (4,717) | (9,965) | (11,526) |
| Items not affecting cash and other reconciling items: | | | | |
| Depreciation of property and equipment | 107 | 90 | 262 | 254 |
| Amortization of intangible assets | 138 | 138 | 415 | 415 |
| Amortization of right-of-use assets | 657 | 656 | 1,967 | 1,975 |
| Impairment of property and equipment and right-of-use assets | — | 258 | — | 258 |
| Interest on lease liabilities | 129 | 156 | 392 | 490 |
| Gain on Lease Termination | (35) | — | (35) | — |
| Amortization of financing fees | 16 | 31 | 110 | 31 |
| Stock-based compensation expense | 166 | 355 | 586 | 1,063 |
| Sub-total | (2,552) | (3,033) | (6,268) | (7,040) |
| Net change in non-cash working capital balances related to operations | 1,930 | 869 | (116) | 463 |
| Cash flows used in operating activities | (622) | (2,164) | (6,384) | (6,577) |
| FINANCING ACTIVITIES | | | | |
| Payment of lease liabilities | (789) | (753) | (2,330) | (2,271) |
| Cash flows used in financing activities | (789) | (753) | (2,330) | (2,271) |
| INVESTING ACTIVITIES | | | | |
| Additions to property and equipment | (626) | — | (1,438) | (128) |
| Additions to intangible assets | (422) | — | (554) | — |
| Cash flows used in investing activities | (1,048) | — | (1,992) | (128) |
| Decrease in cash during the period | (2,459) | (2,917) | (10,706) | (8,976) |
| Cash, beginning of the period | 14,193 | 19,048 | 22,440 | 25,107 |
| Cash, end of the period | 11,734 | 16,131 | 11,734 | 16,131 |
| Supplemental Information | | | | |
| Cash paid for: | | | | |
| Interest (classified as financing activities) | 146 | 188 | 424 | 527 |
| Cash received for: | | | | |
| Interest (classified as operating activities) | 132 | 124 | 628 | 240 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

DAVIDsTEA Inc.

Interim Consolidated Statements of Equity (Deficiency)

(Unaudited and amounts in thousands of Canadian dollars)

| | Share capital | Contributed surplus | Deficit | Accumulated other comprehensive income | Total equity |
|---|------------------|------------------------|-----------------|---|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance, January 28, 2023 | 114,163 | 2,530 | (85,175) | 3,177 | 34,695 |
| Net loss for the nine months ended October 28, 2023 | — | — | (9,965) | — | (9,965) |
| Other comprehensive loss | — | — | — | 42 | 42 |
| Total comprehensive loss | — | — | (9,965) | 42 | (9,923) |
| Common shares issued on vesting of restricted stock units | 308 | (629) | 222 | — | (99) |
| Stock-based compensation expense | — | 586 | — | — | 586 |
| Balance, October 28, 2023 | <u>114,471</u> | <u>2,487</u> | <u>(94,918)</u> | <u>3,219</u> | <u>25,259</u> |
| Balance, January 29, 2022 | 113,605 | 2,256 | (70,491) | 2,945 | 48,315 |
| Net loss for the nine months ended October 29, 2022 | — | — | (11,526) | — | (11,526) |
| Other comprehensive loss | — | — | — | 316 | 316 |
| Total comprehensive loss | — | — | (11,526) | 316 | (11,210) |
| Common shares issued on vesting of restricted stock units | 358 | (732) | 33 | — | (341) |
| Stock-based compensation expense | — | 1,063 | — | — | 1,063 |
| Balance, October 29, 2022 (Restated - Note 2) | <u>113,963</u> | <u>2,587</u> | <u>(81,984)</u> | <u>3,261</u> | <u>37,827</u> |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

DAVIDsTEA Inc.

Notes to Interim Consolidated Financial Statements

For the three and nine-month periods ended October 28, 2023 and October 29, 2022

(Unaudited and amounts in thousands of Canadian dollars, except share and per share information)

1. CORPORATE INFORMATION

The unaudited condensed interim consolidated financial statements of DAVIDsTEA Inc. and its subsidiary, DAVIDsTEA (USA) Inc., (collectively, the “Company”) for the three and nine-month periods ended October 28, 2023 and October 29, 2022 were approved and authorized for issue in accordance with a resolution of the Board of Directors on December 12, 2023. The Company is incorporated and domiciled in Canada and its shares are publicly traded on the TSX Venture Exchange under the symbol “DTEA”. The registered office is located at 5430, Ferrier Street, Town of Mount-Royal, Quebec, Canada, H4P 1M2.

The Company offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories, and variety boxes 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 19 company-owned storefronts 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.

Sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter due to the year-end holiday season and tend to be lowest in the second and third fiscal quarters because of lower customer engagement during the summer months.

All monetary amounts shown, unless otherwise noted, are in thousands of Canadian dollars except share and per share information.

2. 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 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 28, 2023, 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 audited consolidated financial statements for the year ended January 28, 2023.

Comparative figures

Certain comparative figures for the three and nine-months ended October 29, 2022 have been reclassified to conform with the current year’s presentation. For the three-months ended October 29, 2022, these adjustments include reclassifying \$612 of selling, general and administrative expenses to an increase in cost of sales. For the nine-months ended October 29, 2022, these adjustments include reclassifying \$1,849 of selling, general and administrative expenses to an increase in cost of sales. As well certain reclassification within equity accounts include increased share capital by \$71, decreased contributed surplus by \$251 and decreased the deficit by \$180. These adjustments had no effect on total equity (deficiency) or net loss for the three and nine-months period ended October 29, 2022.

3. 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 judgments 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 4 of the audited consolidated financial statements for the year ended January 28, 2023.

4. SHARE CAPITAL

Issued and Outstanding

| | As at | |
|---------------|---------------------|---------------------|
| | October 28, 2023 | January 28, 2023 |
| Share Capital | \$ 114,471 | \$ 114,163 |
| Common Shares | 26,778,626 | 26,623,068 |

During the three and nine-month period ended October 28, 2023, 32,141 and 155,558 common shares, respectively (October 29, 2022 – 9,291 and 147,318 common shares, respectively) were issued in relation to the vesting of restricted stock units ("RSU"), resulting in an increase in share capital of \$29 and \$308, net of tax respectively (October 29, 2022 – \$30 and \$358, net of tax respectively) and a reduction in contributed surplus of \$60 and \$629, respectively (October 29, 2022 – \$62 and \$732, respectively).

Stock-based compensation

As at October 28, 2023, 879,124 (October 29, 2022 – 397,974) common shares remain available for issuance under the 2015 Omnibus Plan.

No stock options were granted during the three-month periods ended October 28, 2023 and October 29, 2022. As at October 28, 2023, no options remain outstanding (October 29, 2022 – 3,490 options with a weighted average exercise price of \$14.39).

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

| | For the nine-months ended | | | |
|----------------------------------|-----------------------------------|--|-----------------------------------|--|
| | October 28, 2023 | | October 29, 2022 | |
| | RSUs outstanding # | Weighted average fair value per unit (1) \$ | RSUs outstanding # | Weighted average fair value per unit (1) \$ |
| Outstanding, beginning of period | 1,438,839 | 2.25 | 1,282,790 | 2.60 |
| Granted | 50,000 | 0.43 | 833,764 | 1.99 |
| Forfeitures | (84,548) | 1.82 | (43,857) | 1.66 |
| Vested | (155,558) | 1.98 | (147,318) | 2.40 |
| Vested, withheld for tax | (161,983) | 1.98 | (153,382) | 2.40 |
| Outstanding, end of period | <u>1,086,750</u> | <u>2.28</u> | <u>1,771,997</u> | <u>2.35</u> |

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

5. COST OF SALES

Included in cost of sales are the following expenses:

| | For the three-months ended | | For the nine-months ended | |
|---|------------------------------------|--|------------------------------------|--|
| | October 28, 2023 \$ | October 29, 2022 \$ <small>(Restated - Note 2)</small> | October 28, 2023 \$ | October 29, 2022 \$ <small>(Restated - Note 2)</small> |
| Cost of goods sold | 4,391 | 5,490 | 11,943 | 16,902 |
| Retail occupancy costs (1) | 726 | 827 | 2,283 | 2,380 |
| Distribution and handling costs | 1,088 | 1,771 | 3,812 | 5,358 |
| Delivery costs | 1,150 | 1,817 | 3,680 | 5,555 |
| Warehouse salaries, amortization of right-of-use-assets and other | 184 | 601 | 710 | 1,770 |
| | <u>7,539</u> | <u>10,506</u> | <u>22,428</u> | <u>31,965</u> |

(1) During the three and nine-month periods ended October 28, 2023, cost of sales includes variable rent of \$268 and \$903 respectively (October 29, 2022 - \$370 and \$999 respectively) and amortization of right-of-use assets of \$452 and \$1,356 respectively (October 29, 2022 - \$452 and \$1,365 respectively).

6. SELLING, GENERAL AND ADMINISTRATION EXPENSES

Included in selling, general and administration expenses are the following expenses:

| | For the three-months ended | | For the nine-months ended | |
|--|----------------------------|------------------------|---------------------------|------------------------|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| | \$ | \$ | \$ | \$ |
| | | (Restated - Note 2) | | (Restated - Note 2) |
| Wages, salaries and employee benefits | 2,879 | 3,542 | 8,466 | 10,493 |
| IT ongoing expenses | 1,840 | 1,726 | 5,378 | 5,017 |
| Marketing expenses | 1,474 | 1,229 | 3,495 | 4,893 |
| Costs related to internalizing fulfillment services | 219 | — | 1,029 | — |
| Director & officer and other insurance | 262 | 214 | 884 | 904 |
| Professional and consulting fees | 208 | 477 | 740 | 1,153 |
| Credit card fees | 193 | 329 | 632 | 1,006 |
| Stock-based compensation | 166 | 355 | 586 | 1,063 |
| Selling Supplies | 197 | 155 | 531 | 423 |
| Software implementation and configuration | — | 1,142 | — | 3,222 |
| Amortization of intangible assets | 138 | 138 | 415 | 415 |
| Depreciation of property and equipment | 107 | 90 | 262 | 254 |
| Amortization right-of-use asset | 42 | 42 | 126 | 126 |
| Impairment of property and equipment and right-of-use assets | — | 258 | — | 258 |
| Other selling, general and administration | 600 | 616 | 1,411 | 1,708 |
| | <u>8,325</u> | <u>10,313</u> | <u>23,955</u> | <u>30,935</u> |

7. LOSS PER SHARE

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

| | For the three-months ended | | For the nine-months ended | |
|--|----------------------------|---------------------|---------------------------|---------------------|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| | \$ | \$ | \$ | \$ |
| Net loss for basic EPS | (3,730) | (4,717) | (9,965) | (11,526) |
| Weighted average number of shares outstanding: | | | | |
| Basic | 26,756,842 | 26,566,441 | 26,694,288 | 26,493,484 |
| Fully diluted | 26,756,842 | 26,566,441 | 26,694,288 | 26,493,484 |
| Net loss per share: | | | | |
| Basic | (0.14) | (0.18) | (0.37) | (0.44) |
| Fully diluted | (0.14) | (0.18) | (0.37) | (0.44) |

For the three and nine-months ended October 28, 2023 and October 29, 2022, because of the net loss recorded during the period, the stock options and RSUs as disclosed in note 4 are anti-dilutive.

8. 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 two operating segments, Canada, and the U.S., that derive their revenues from various distribution channels including online, retail and wholesale. The Company's Chief Executive and Brand Officer and President, Chief Financial and Operations Officer (the chief operating decision makers or "CODM") make decisions about resources to be allocated to the segments and assesses performance, 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 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| | \$ | \$ | \$ | \$ |
| | | (Restated - Note 2) | | (Restated - Note 2) |
| Tea | 11,034 | 14,084 | 32,524 | 45,159 |
| Tea accessories | 847 | 1,859 | 3,175 | 5,442 |
| Food and beverages | 264 | 233 | 593 | 1,069 |
| | <u>12,145</u> | <u>16,176</u> | <u>36,292</u> | <u>51,670</u> |

All property and equipment, right-of-use assets and intangible assets are located in Canada.

Results from operating activities before corporate expenses per country are as follows:

| | For the three-months ended | | | For the nine-months ended | | |
|--|----------------------------|-------|--------------|---------------------------|-------|--------------|
| | October 28, 2023 | | | October 28, 2023 | | |
| | Canada | US | Consolidated | Canada | US | Consolidated |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 10,553 | 1,592 | 12,145 | 31,129 | 5,163 | 36,292 |
| Cost of sales | 6,665 | 874 | 7,539 | 19,436 | 2,992 | 22,428 |
| Gross profit | 3,888 | 718 | 4,606 | 11,693 | 2,171 | 13,864 |
| Selling, general and administration expenses (allocated) | 2,576 | 407 | 2,983 | 6,795 | 925 | 7,720 |
| Results from operating activities before undernoted | 1,312 | 311 | 1,623 | 4,898 | 1,246 | 6,144 |
| Selling, general and administration expenses (non-allocated) | | | 5,342 | | | 16,235 |
| Results from operating activities | | | (3,719) | | | (10,091) |
| Finance costs | | | 143 | | | 502 |
| Finance income | | | (132) | | | (628) |
| Net loss | | | (3,730) | | | (9,965) |

| | For the three months-ended | | | For the nine-months ended | | |
|--|----------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|
| | October 29, 2022 | | | October 29, 2022 | | |
| | Canada | US | Consolidated | Canada | US | Consolidated |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | (Restated - Note 2) | (Restated - Note 2) | (Restated - Note 2) | (Restated - Note 2) | (Restated - Note 2) | (Restated - Note 2) |
| Sales | 12,899 | 3,277 | 16,176 | 42,302 | 9,368 | 51,670 |
| Cost of sales | 8,549 | 1,957 | 10,506 | 26,301 | 5,664 | 31,965 |
| Gross profit | 4,350 | 1,320 | 5,670 | 16,001 | 3,704 | 19,705 |
| Selling, general and administration expenses (allocated) | 2,367 | 376 | 2,743 | 7,792 | 1,362 | 9,154 |
| Results from operating activities before undernoted | 1,983 | 944 | 2,927 | 8,209 | 2,342 | 10,551 |
| Selling, general and administration expenses (non-allocated) | | | 7,570 | | | 21,781 |
| Results from operating activities | | | (4,643) | | | (11,230) |
| Finance costs | | | 194 | | | 532 |
| Finance income | | | (120) | | | (236) |
| Net loss | | | (4,717) | | | (11,526) |