



DAVIDsTEA Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and six-month periods ended July 29, 2023 and July 30, 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>Note</u>	<u>As at</u>	
		<u>July 29,</u> <u>2023</u>	<u>January 28,</u> <u>2023</u>
		<u>\$</u>	<u>\$</u>
ASSETS			
Current			
Cash		14,193	22,440
Accounts and other receivables		1,675	3,258
Inventories		18,130	19,522
Prepaid expenses and deposits		<u>5,030</u>	<u>5,839</u>
Total current assets		<u>39,028</u>	<u>51,059</u>
Property and equipment		1,166	510
Intangible assets		1,533	1,679
Right-of-use assets		<u>8,492</u>	<u>9,345</u>
Total assets		<u><u>50,219</u></u>	<u><u>62,593</u></u>
LIABILITIES AND EQUITY			
Current			
Trade and other payables		6,851	12,310
Deferred revenue		5,161	5,363
Current portion of lease liabilities		<u>2,563</u>	<u>2,543</u>
Total current liabilities		<u>14,575</u>	<u>20,216</u>
Non-current portion of lease liabilities		<u>6,840</u>	<u>7,682</u>
Total liabilities		<u>21,415</u>	<u>27,898</u>
Commitments and contingencies			
EQUITY			
Share capital	4	114,442	114,163
Contributed surplus		2,381	2,530
Deficit		(91,203)	(85,175)
Accumulated other comprehensive income		<u>3,184</u>	<u>3,177</u>
Total equity		<u>28,804</u>	<u>34,695</u>
Total liabilities and equity		<u><u>50,219</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 six-months ended	
		July 29, 2023 \$	July 30, 2022 \$	July 29, 2023 \$	July 30, 2022 \$
			(Restated - Note 2)		(Restated - Note 2)
Sales	8	9,834	15,207	24,147	35,494
Cost of sales	5	6,203	9,380	14,889	21,459
Gross profit		3,631	5,827	9,258	14,035
Selling, general and administration expenses	6	7,922	10,572	15,630	20,622
Results from operating activities		(4,291)	(4,745)	(6,372)	(6,587)
Finance costs		177	167	359	338
Finance income		(216)	(77)	(496)	(116)
Net loss		(4,252)	(4,835)	(6,235)	(6,809)
Other comprehensive income (loss):					
Cumulative translation adjustment		(44)	12	7	30
Other comprehensive income (loss), net of tax		(44)	12	7	30
Total comprehensive loss		(4,296)	(4,823)	(6,228)	(6,779)
Net loss per share:					
Basic	7	(0.16)	(0.18)	(0.23)	(0.26)
Fully diluted	7	(0.16)	(0.18)	(0.23)	(0.26)
Weighted average number of shares outstanding:					
Basic	7	26,702,449	26,487,933	26,662,895	26,456,830
Fully diluted	7	26,702,449	26,487,933	26,662,895	26,456,830

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 six-months ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(4,252)	(4,835)	(6,235)	(6,809)
Items not affecting cash and other reconciling items:				
Depreciation of property and equipment	87	88	155	164
Amortization of intangible assets	138	137	277	277
Amortization of right-of-use assets	666	669	1,311	1,319
Interest on lease liabilities	128	167	263	334
Amortization of financing fees	47	—	94	—
Stock-based compensation expense	177	398	420	708
Sub-total	(3,009)	(3,376)	(3,715)	(4,007)
Net change in non-cash working capital balances related to operations	(1,288)	641	(2,047)	(406)
Cash flows used in operating activities	(4,297)	(2,735)	(5,762)	(4,413)
FINANCING ACTIVITIES				
Payment of lease liabilities	(772)	(769)	(1,542)	(1,518)
Cash flows used in financing activities	(772)	(769)	(1,542)	(1,518)
INVESTING ACTIVITIES				
Additions to property and equipment	(244)	(128)	(812)	(128)
Additions to intangible assets	(77)	—	(131)	—
Cash flows used in investing activities	(321)	(128)	(943)	(128)
Decrease in cash during the year	(5,390)	(3,632)	(8,247)	(6,059)
Cash, beginning of the year	19,583	22,680	22,440	25,107
Cash, end of the year	14,193	19,048	14,193	19,048
Supplemental Information				
Cash paid for:				
Interest (classified as financing activities)	136	162	278	334
Cash received for:				
Interest (classified as operating activities)	216	38	496	77

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 six months ended July 29, 2023	—	—	(6,235)	—	(6,235)
Other comprehensive income	—	—	—	7	7
Total comprehensive income	—	—	(6,235)	7	(6,228)
Common shares issued on vesting of restricted stock units	279	(569)	207	—	(83)
Stock-based compensation expense	—	420	—	—	420
Balance, July 29, 2023	<u>114,442</u>	<u>2,381</u>	<u>(91,203)</u>	<u>3,184</u>	<u>28,804</u>
Balance, January 29, 2022	113,605	2,256	(70,491)	2,945	48,315
Net loss for the six months ended July 30, 2022	—	—	(6,809)	—	(6,809)
Other comprehensive income	—	—	—	30	30
Total comprehensive income	—	—	(6,809)	30	(6,779)
Common shares issued on vesting of restricted stock units	328	(670)	14	—	(328)
Stock-based compensation expense	—	708	—	—	708
Balance, July 30, 2022 (Restated - Note 2)	<u>113,933</u>	<u>2,294</u>	<u>(77,286)</u>	<u>2,975</u>	<u>41,916</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 six-month periods ended July 29, 2023 and July 30, 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 six-month periods ended July 29, 2023 and July 30, 2022 were approved and authorized for issue in accordance with a resolution of the Board of Directors on September 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 six-months ended July 30, 2022 have been reclassified to conform with the current year’s presentation. For the three-months ended July 30, 2022, these adjustments include reclassifying \$647 of selling, general and administrative expenses to an increase in cost of sales, in the amount of \$629, and a decrease in sales, in the amount of \$18. For the six-months ended July 30, 2022, these adjustments include reclassifying \$1,403 of selling, general and administrative expenses to an increase in cost of sales, in the amount of \$1,237, and a decrease in sales, in the amount of \$166. 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 six-months period ended July 30, 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

	<u>As at</u>	
	<u>July 29, 2023</u>	<u>January 28, 2023</u>
Share Capital	\$ 114,442	\$ 114,163
Common Shares	26,746,485	26,623,068

During the three and six-month period ended July 29, 2023, 122,377 and 123,417 common shares, respectively (July 30, 2022 – 134,452 and 138,027 common shares, respectively) were issued in relation to the vesting of restricted stock units (“RSU”), resulting in an increase in share capital of \$277 and \$279, net of tax respectively (July 30, 2022 – \$322 and \$328, net of tax respectively) and a reduction in contributed surplus of \$566 and \$569, respectively (July 30, 2022 – \$658 and \$670, respectively).

Stock-based compensation

As at July 29, 2023, 888,140 (July 30, 2022 – 694,412) common shares remain available for issuance under the 2015 Omnibus Plan.

No stock options were granted during the three-month periods ended July 29, 2023 and July 30, 2022. As at July 29, 2023, no options remain outstanding (July 30, 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 six-month period are presented below.

	For the six-months ended			
	July 29, 2023		July 30, 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	—	—	511,264	2.66
Forfeitures	(77,048)	1.90	(27,466)	2.28
Vested	(123,417)	2.25	(138,027)	2.38
Vested, withheld for tax	(128,499)	2.25	(143,711)	2.38
Outstanding, end of period	<u>1,109,875</u>	<u>2.27</u>	<u>1,484,850</u>	<u>2.67</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 six-months ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	\$	\$	\$	\$
		(Restated - Note 2)		(Restated - Note 2)
Cost of goods sold	3,173	4,965	7,571	11,412
Retail occupancy costs (1)	775	780	1,557	1,553
Distribution and handling costs	1,166	1,637	2,705	3,587
Delivery costs	903	1,508	2,530	3,738
Warehouse salaries, amortization of right-of-use-assets and other	186	490	526	1,169
	<u>6,203</u>	<u>9,380</u>	<u>14,889</u>	<u>21,459</u>

(1) During the three and six-month periods ended July 29, 2023, cost of sales includes variable rent of \$301 and \$634 respectively (July 30, 2022 - \$307 and \$629 respectively) and amortization of right-of-use assets of \$463 and \$904 respectively (July 30, 2022 - \$466 and \$913 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 six-months ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	\$	\$	\$	\$
		(Restated - Note 2)		(Restated - Note 2)
Wages, salaries and employee benefits	2,747	3,543	5,587	6,951
IT ongoing expenses	1,731	1,555	3,538	3,291
Marketing expenses	1,021	1,588	2,021	3,664
Costs related to internalizing fulfillment services	810	—	810	—
Director & officer and other insurance	298	343	622	690
Professional and consulting fees	262	543	532	676
Credit card fees	193	274	439	677
Stock-based compensation	177	398	420	708
Selling Supplies	166	146	334	268
Software implementation and configuration	—	1,325	—	2,080
Amortization of intangible assets	138	137	277	277
Depreciation of property and equipment	87	88	155	164
Amortization right-of-use asset	42	42	84	84
Other selling, general and administration	250	590	811	1,092
	<u>7,922</u>	<u>10,572</u>	<u>15,630</u>	<u>20,622</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 six-months ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	\$	\$	\$	\$
Net loss for basic EPS	(4,252)	(4,835)	(6,235)	(6,809)
Weighted average number of shares outstanding:				
Basic	26,702,449	26,487,933	26,662,895	26,456,830
Fully diluted	26,702,449	26,487,933	26,662,895	26,456,830
Net loss per share:				
Basic	(0.16)	(0.18)	(0.23)	(0.26)
Fully diluted	(0.16)	(0.18)	(0.23)	(0.26)

For the three and six-months ended July 29, 2023 and July 30, 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 six-months ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	\$	\$	\$	\$
		(Restated - Note 2)		(Restated - Note 2)
Tea	8,738	13,249	21,490	31,076
Tea accessories	949	1,484	2,328	3,583
Food and beverages	147	474	329	835
	<u>9,834</u>	<u>15,207</u>	<u>24,147</u>	<u>35,494</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 six-months ended		
	July 29, 2023			July 29, 2023		
	Canada	US	Consolidated	Canada	US	Consolidated
	\$	\$	\$	\$	\$	\$
Sales	8,383	1,451	9,834	20,576	3,571	24,147
Cost of sales	5,351	852	6,203	12,801	2,088	14,889
Gross profit	3,032	599	3,631	7,775	1,483	9,258
Selling, general and administration expenses (allocated)	2,093	265	2,358	4,219	518	4,737
Results from operating activities before undemoted	939	334	1,273	3,556	965	4,521
Selling, general and administration expenses (non-allocated)			5,564			10,893
Results from operating activities			(4,291)			(6,372)
Finance costs			177			359
Finance income			(216)			(496)
Net loss			<u>(4,252)</u>			<u>(6,235)</u>

	For the three months-ended			For the six-months ended		
	July 30, 2022			July 30, 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	12,805	2,402	15,207	29,403	6,091	35,494
Cost of sales	7,937	1,443	9,380	17,752	3,707	21,459
Gross profit	4,868	959	5,827	11,651	2,384	14,035
Selling, general and administration expenses (allocated)	2,568	387	2,955	5,425	986	6,411
Results from operating activities before undemoted	2,300	572	2,872	6,226	1,398	7,624
Selling, general and administration expenses (non-allocated)			7,617			14,211
Results from operating activities			(4,745)			(6,587)
Finance costs			167			338
Finance income			(77)			(116)
Net loss			<u>(4,835)</u>			<u>(6,809)</u>