



Aritzia Pitch

Presented by:

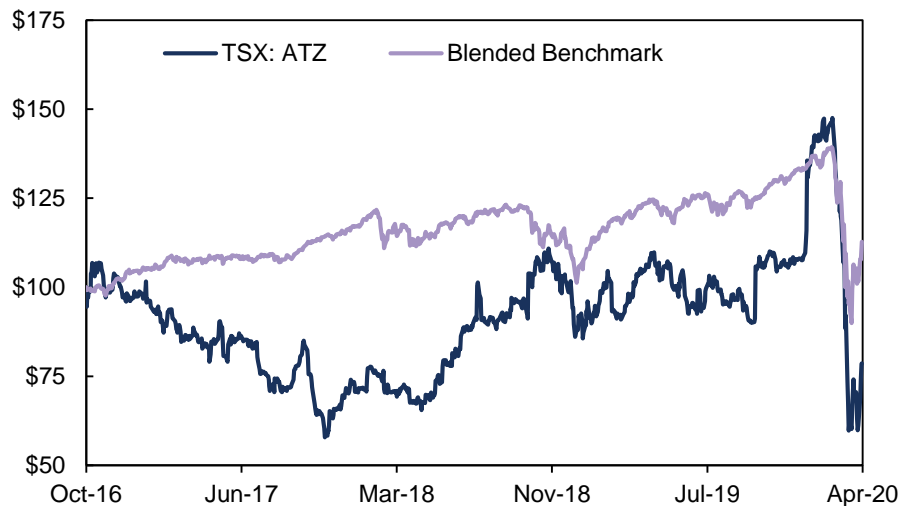
Helena Cherniak-Kennedy, *Investment Analyst*

Company Overview

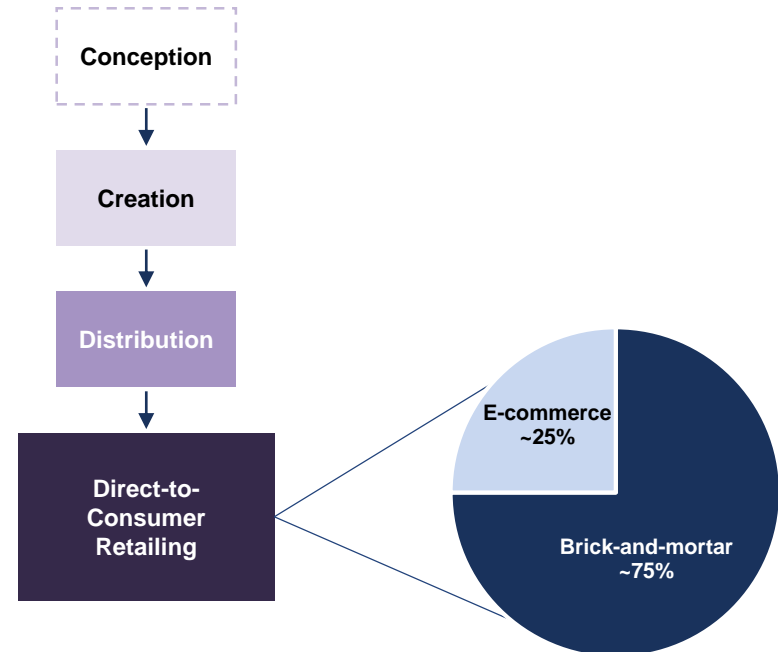
Business Description

- Aritzia Inc. (TSX: ATZ) is a **vertically integrated fashion house headquartered in Vancouver, Canada that designs and retails luxury apparel and accessories**. ATZ focuses on innovative, aspirational women's fashion, with a target demographic aged 15-45. The Company operates 96 boutiques across Canada and the U.S.
- ATZ was founded in 1984 by Brian Hill, who remains the current CEO and Chairman. The Company was majority owned and controlled by private equity firm Berkshire Partners from 2005-2016. In 2016, ATZ conducted an IPO to become a publicly traded company on the TSX
- ATZ is a leading luxury omni-channel fashion retailer, selling its products through traditional selective brick-and-mortar boutiques, while also growing its e-commerce presence
- The Company has 12 proprietary brands, each with in-house design teams. Together, these in-house brands represent over 94% of ATZ's revenue

Trading Performance Since IPO (Indexed to \$100)⁽¹⁾



Vertically Integrated Business Model



Key Metrics⁽¹⁾

Market Cap	\$1.53B
Net Debt ⁽²⁾	\$476.9mm
Enterprise Value	\$2.00B
FY 2020E EV/EBITDA	8.32x

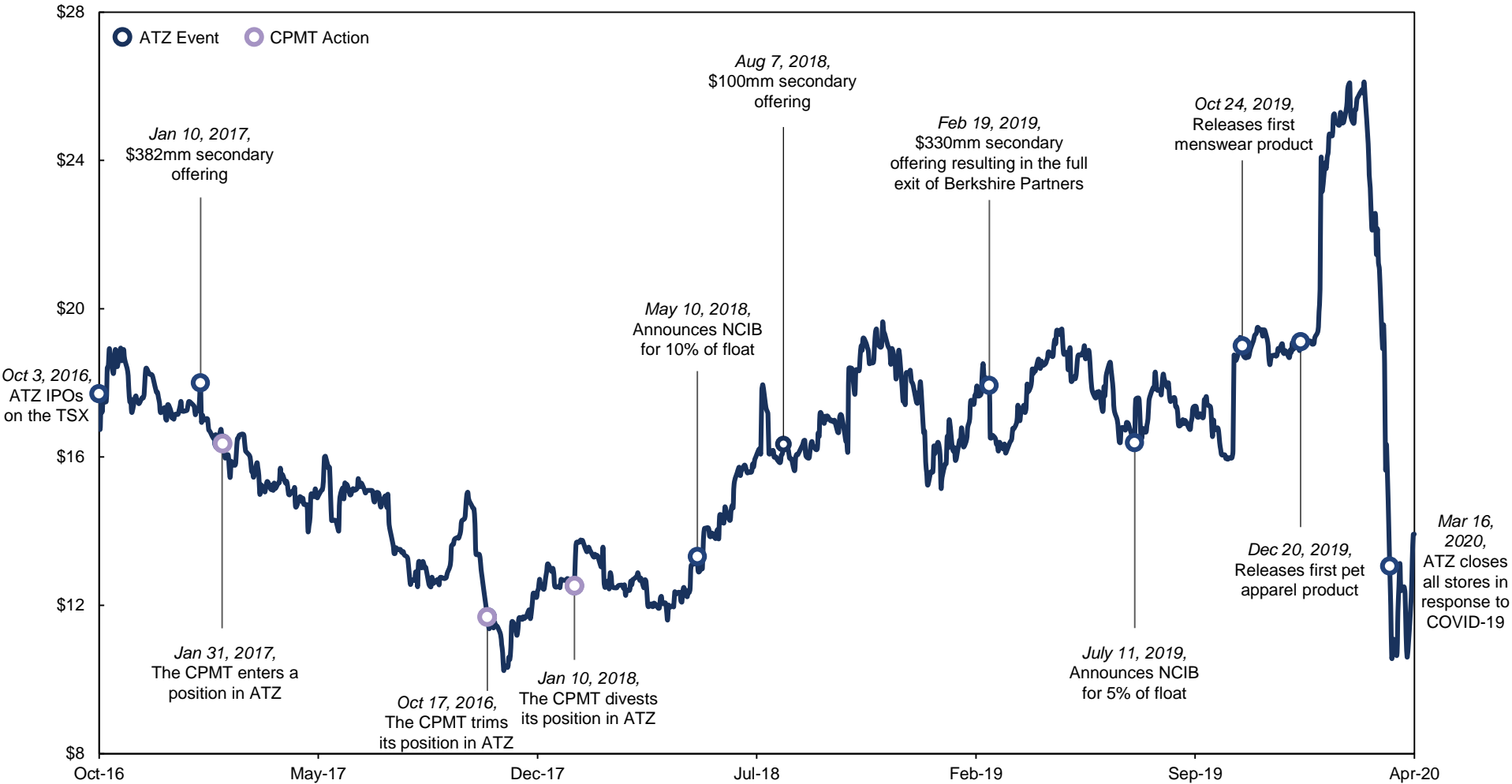
Source: Company Filings, CPMT Estimates, Koyfin, Street Research

(1) Market data as of April 9, 2020

(2) Including lease liabilities

Event History

Historical Price Performance and Key Corporate Events⁽¹⁾

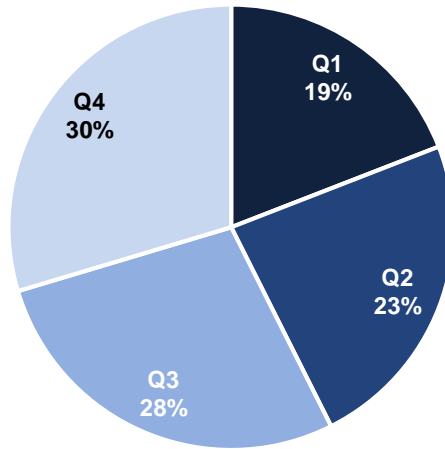


Source: Company Filings, Koyfin, Street Research
 (1) Market data as of April 9, 2020

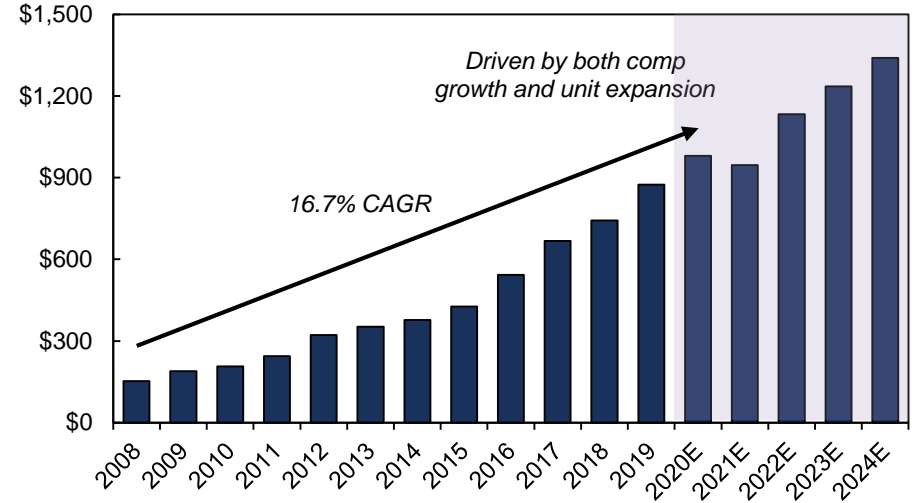
Financial Performance

Revenue Seasonality

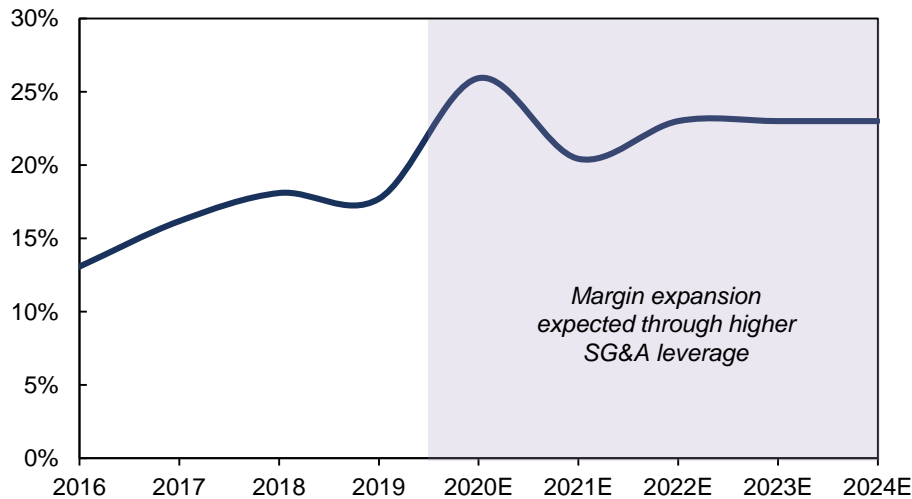
Holiday, back-to-school, and Black Friday shopping contribute to Q3 and Q4 (September – February) making up 58% of revenue



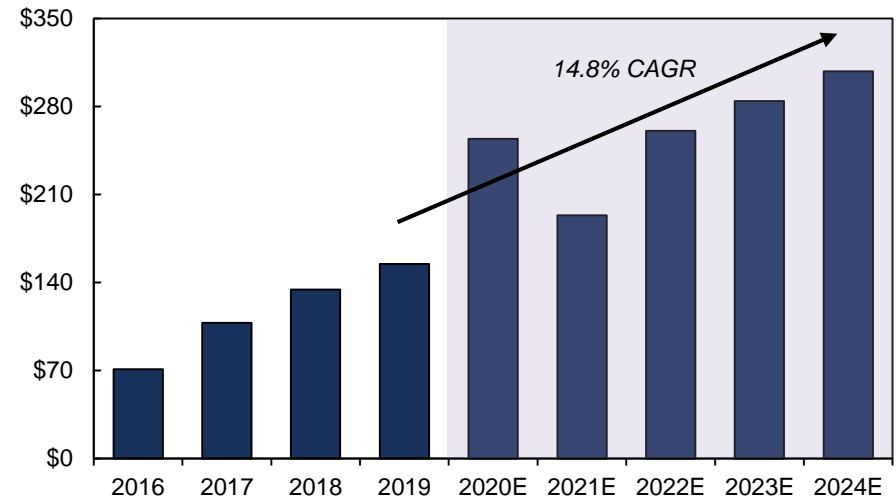
Revenue Growth (\$mm)



Adj. EBITDA Margin⁽¹⁾



Adj. EBITDA Growth⁽¹⁾ (\$mm)



Source: Company Filings, CPMT Estimates, Koyfin, Street Research
 (1) Adjusted to exclude stock-based compensation

Omni-Channel Retail Strategy: Brick-and Mortar

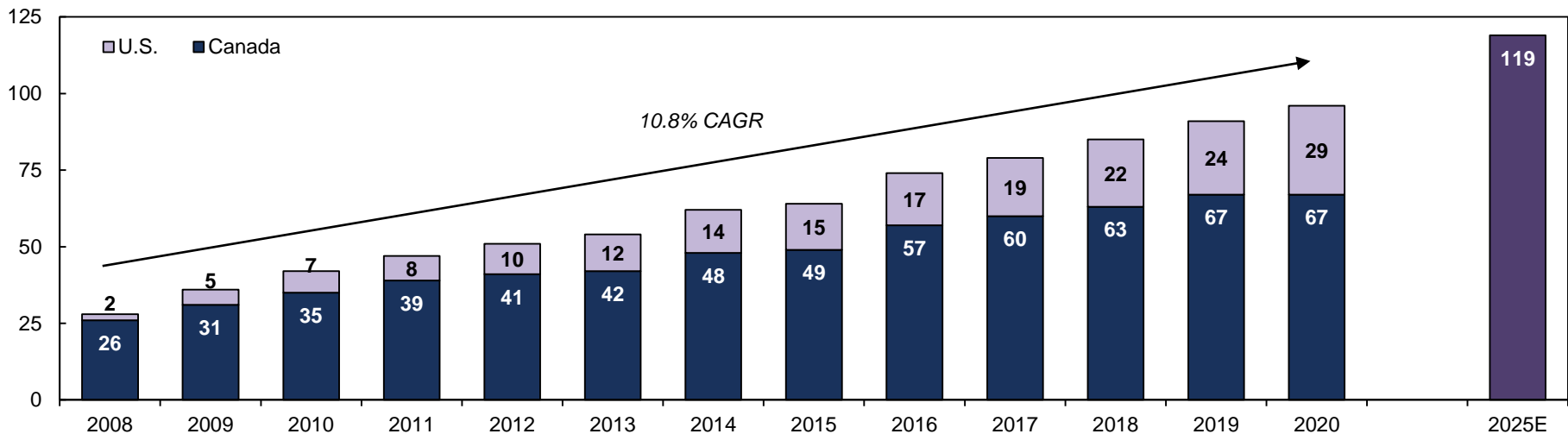
Brick-and-Mortar

- ATZ has **3 primary omni-channel growth strategies**:
 - (1) New stores
 - (2) Store expansions and remodellings
 - (3) E-Commerce
- A core element of ATZ's image and strategy is its brick-and-mortar boutiques. With an average size of 6,000 square feet, ATZ's boutiques are designed by in-house architects to have an aesthetic that matches the overall brand. Boutiques are designed to offer customers an exceptional shopping experience. In 2019, ATZ opened its first A-OK Cafes, premium coffee bars, within its boutiques to further enhance the customer experience
- Since 1984, ATZ has **never closed a boutique** due to poor performance. Instead, it has witnessed an 10.8% CAGR in store growth since 2008. Going forward, ATZ targets opening 5-6 new boutiques per year. The economics of new boutiques remain attractive, with a **payback period of 18-24 months**

Brick-and-Mortar (cont.)

- ATZ opened its first stores in the U.S. in 2007 in Seattle and Santa Clara. In 2012, it opened its 13,000 ft² flagship boutique in Manhattan. ATZ currently has 29 stores in the U.S., with 5 opened during FY 2020. **The U.S. remains an underpenetrated market for ATZ, offering a long-term growth runway**
- ATZ exclusively opens boutiques in **prime real estate locations**, specifically high-performing retail malls and high streets. ATZ is a sought-after tenant that maintains strong relationships with its landlords. Management has identified 100 locations that meet its rigorous real estate standards, indicating a robust pipeline for future store growth
- ATZ also diligently **expands and remodels its existing boutiques** to keep its store base fresh and experiential for customers. Expansions both increase revenue through expanded square footage (3,500 square feet, on average), while also acting as a form of marketing. Expanding stores has a lower capital cost than opening new stores (\$2mm versus \$2.5mm), with a high return on investment

Store Growth



Source: Company Filings, CPMT Estimates, Street Research

Omni-Channel Retail Strategy: E-Commerce

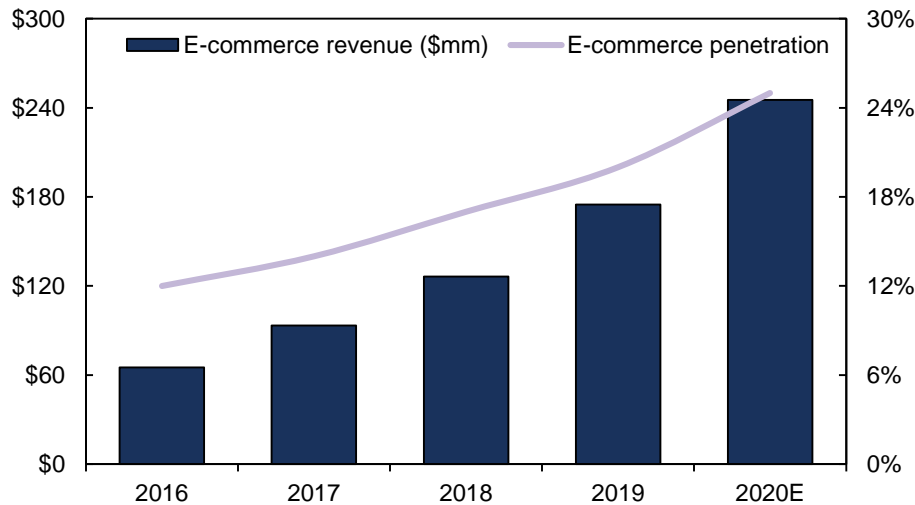
E-Commerce

- ATZ launched its e-commerce business in 2013. Since then, e-commerce has risen to an estimated 25% of revenue from ~17% in 2018 in line with rising brand awareness
- Concurrently, ATZ has increased the breadth of products available online and expanded international shipping. This has been further facilitated by ATZ's new 225,00 square foot distribution center with an upgraded warehouse management system in Vancouver which opened in 2017
- Notably, new store openings **increase e-commerce traffic for ATZ, rather than cannibalizing**, creating a "halo effect"
- As of Q3 2020, U.S. web traffic was up by 26% with Canadian web traffic up by 15% over the last year, ahead of most apparel peers

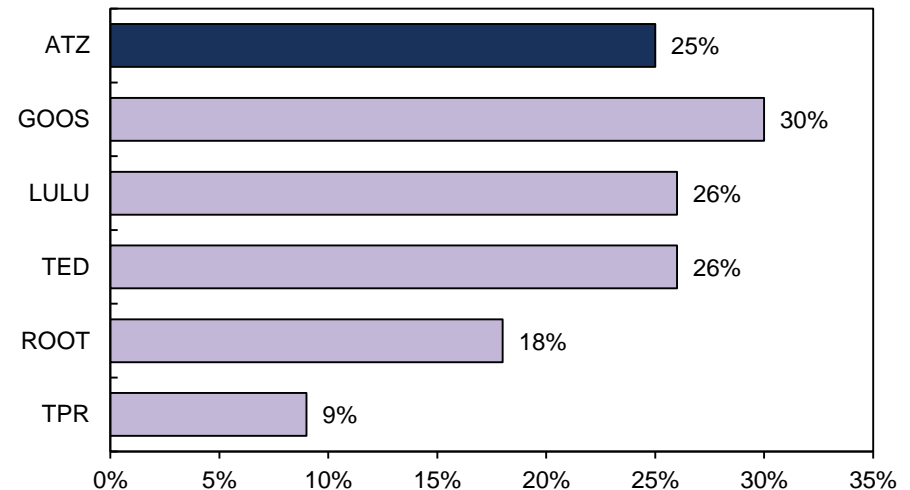
Industry Outlook

- From 2000-2018, e-commerce spending as a percent of consumer wallets has grown by 5.5%, a trend which can be expected to continue as consumers switch habits to online purchases for greater convenience. Young consumers are increasingly moving spending online, forcing retailers to develop an online presence to stay relevant
- For specialty retailers, e-commerce is accretive to EBIT margins on average versus traditional brick-and-mortar. This is due to higher rent expense, which averages 13% of store sales, as well as low fulfillment costs relative to average transaction volumes. This is in contrast to other segments of softline retail including department stores and off-pricers, which see margin attrition resulting from e-commerce sales
- Another significant benefit of e-commerce is the access to customer data that is provides companies with, allowing them to gain valuable information regarding consumer behaviour and preferences to enhance execution and tailor marketing efforts

E-Commerce Mix



E-Commerce Penetration vs Peers

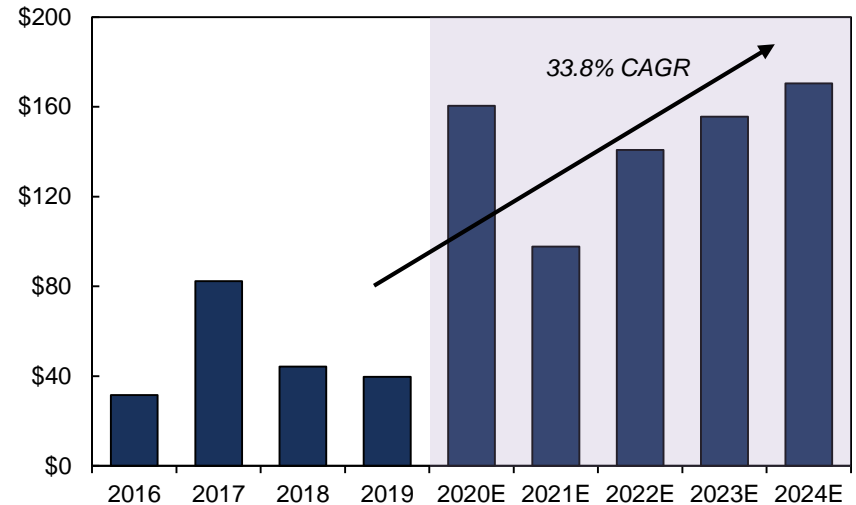


Organic Growth and Cash Generation

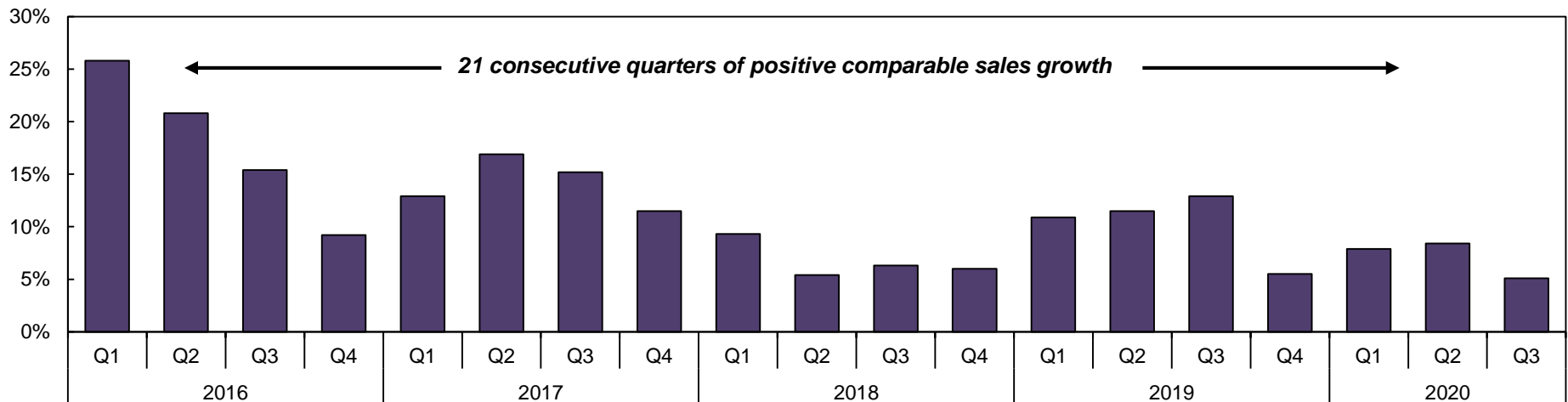
Organic Growth Strategy

- ATZ is exceptional at generating self-funded organic growth through a combination of store growth and expansion, e-commerce growth, and its strong fashion pipeline
- ATZ's 12 proprietary brands are led by teams of in-house designers with a strategy of **innovating around best-selling products**. In 2019, ATZ expanded its product scope from purely women's apparel into menswear, through the release of the Mr. Super Puff, as well as pet clothing through its Ruff Puff. Moving forward, ATZ is expected to accelerate growth of its menswear line, thereby significantly broadening its total addressable market. Similarly, the Company has expressed intent to expand into other apparel segments, including women's evening wear, while introducing more inclusive plus-sizing
- ATZ has had consistently positive comparable sales, able to attract new customers to its stores, while also retaining loyal recurring customers. **Consistent earnings growth relative to modest capital expenditures result in a strong ability to generate cash.** Free cash flow conversion (relative to revenue) is expected to be ~15% for FY 2020

Free Cash Flow⁽¹⁾ (\$mm)

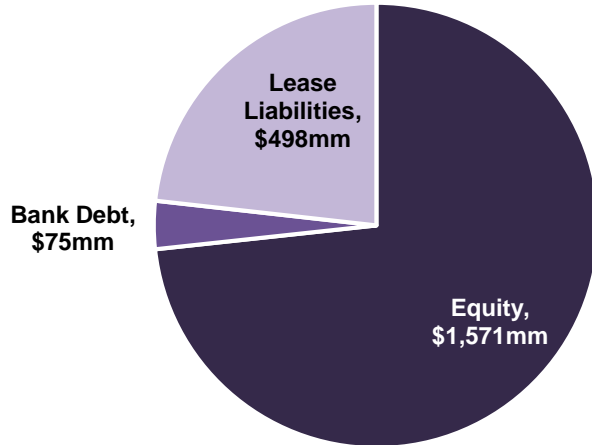


Comparable Sales Growth



Balance Sheet Strength and Flexibility

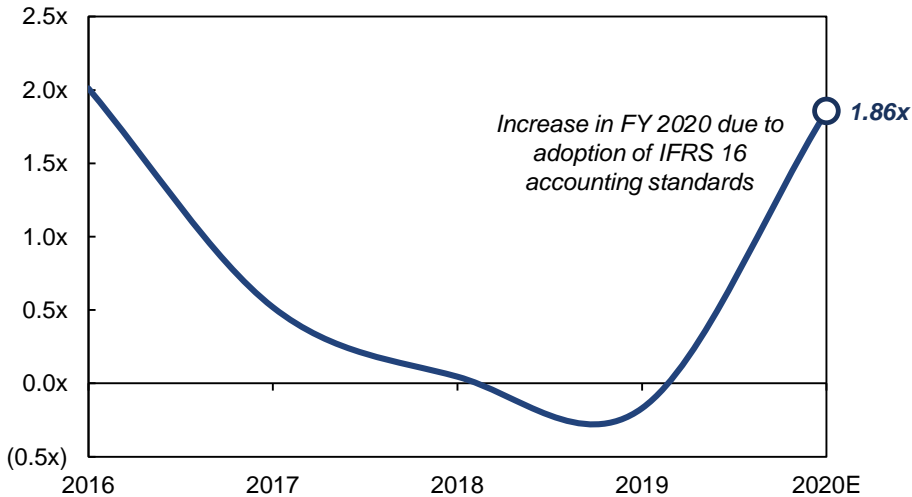
Capital Structure⁽¹⁾



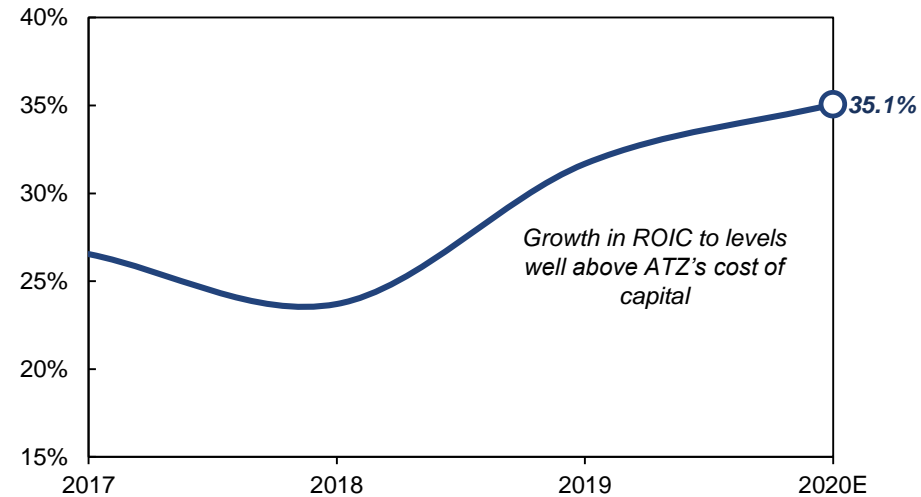
Healthy Balance Sheet

- ATZ has a **high level of balance sheet flexibility** with \$95.7K of cash, \$74.7 long-term debt due 2022, and an undrawn revolver. Including the impact of IFRS 16 accounting standards, **ATZ's FY 2020E Net Debt / LTM EBITDA remains low at 1.92x (-0.10x pre-IFRS 16)**, with management diligently reducing leverage since ATZ's 2016 IPO. ATZ's strong liquidity places it in a resilient position, which is of increasing importance given the uncertainty surrounding the COVID-19 pandemic
- ATZ's asset light balance sheet has also allowed it to pursue self-funded growth while generating high returns. ATZ has **consistently improved its ROIC**, which is expected to exceed 30% in FY 2020, implying a ROIC/WACC of ~4.5x
- Although ATZ does not pay a dividend, it has engaged in two normal course issuer bids (NCIBs) to repurchase up to 10% of its float over FY 2019 and 5% over FY 2020. With \$108mm worth of shares repurchased over the first three quarters of FY 2020, this illustrates management confidence and effective capital allocation

Net Debt / LTM EBITDA



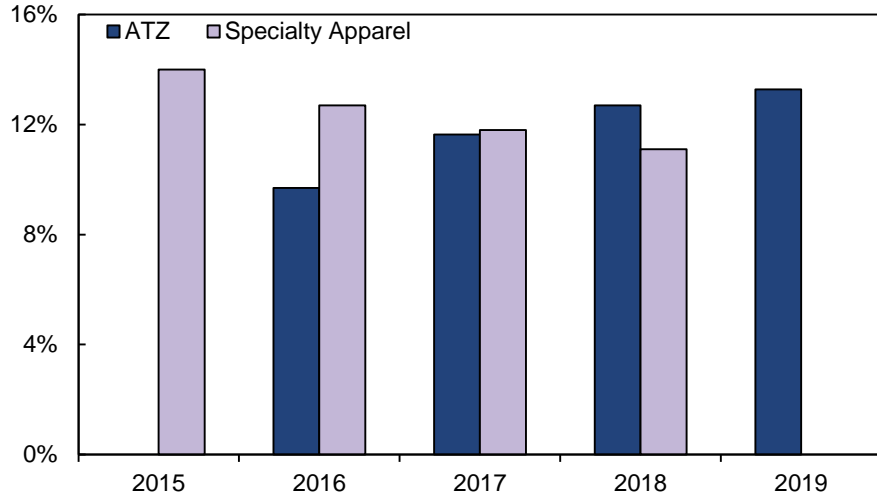
Return on Invested Capital



Source: Company Filings, CPMT Estimates, Koyfin, Street Research
 (1) Equity represents fully diluted equity value as of April 9, 2020

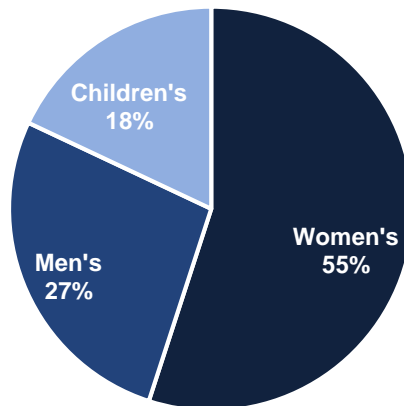
Retail Apparel Industry

EBIT Margins



U.S. Apparel Market Sales Breakdown

As a women's clothing retailer, ATZ has a large TAM, with expansion into menswear posing a significant opportunity

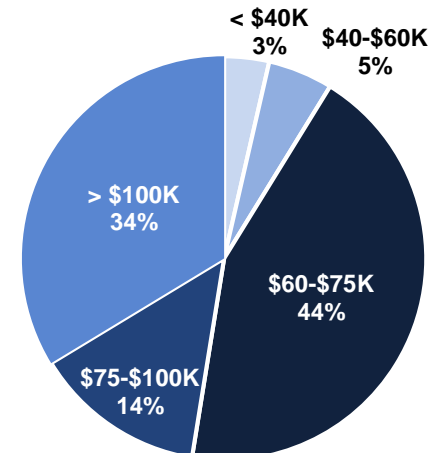


Softline Retail Industry

- In 2018, the U.S. had \$6T in retail sales, with \$285B in clothing/apparel
- Over the past 16 years, apparel growth has averaged 1.6%, with average apparel prices per unit decreasing from \$23.18 to \$20.14. Top market share in the apparel industry continues to be held by multinational players, including Amazon, Walmart, and Target, as well as off-pricers. **The apparel market is highly fragmented on a brand level, leading to a high level of competition**
- From 2000-2018, clothing and accessory spending as a percent of consumer wallets has declined by 0.6%; however, concurrently, e-commerce spending has grown by 5.5%
- Key industry drivers include sales growth and strengthening margins. The average comparable sales growth for softline retail in 2018 was 3.9%
- One of the key retail industry headwinds is Amazon (NASDAQ: AMZN). However, AMZN's emergence has primarily affected commoditized, apparel basics. Branded and luxury products have seen less disruption from AMZN

ATZ Customers by Annual Salary

ATZ has an affluent customer base, competing more with luxury brand names than big box apparel

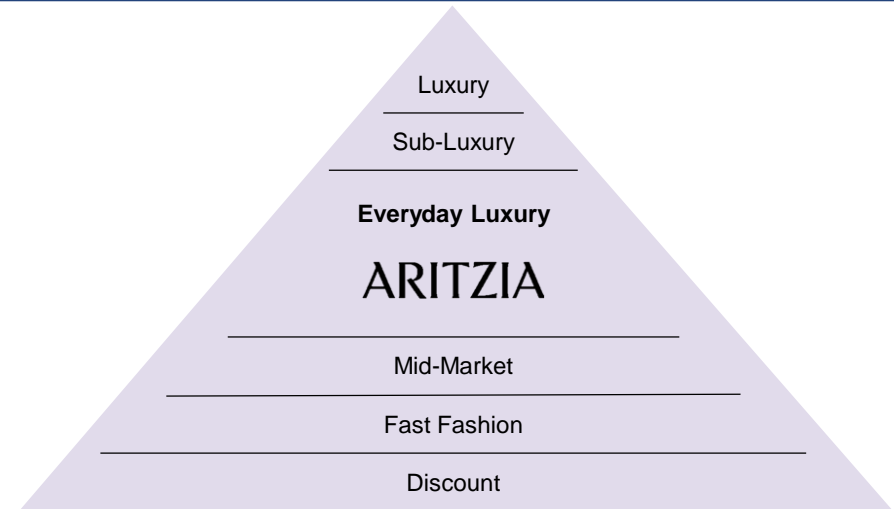


Competitive Differentiation

Competitive Advantage

- ATZ has a distinct competitive advantage that primarily results from its **strong brand equity**. ATZ has a team of in-house designers and architects to produce its apparel and boutiques, allowing them to attain a unique brand aesthetic. ATZ has 12 exclusive, proprietary brands. Each has a unique aesthetic and is treated as an independent label, with its own design team. With over 94% of ATZ's net revenue coming from these brands, it is differentiated from mono-brand retailers, able to offer a diverse selection of aesthetics, without outsourcing to other brands or designers
- ATZ distinguishes itself from competitors through **occupying a niche area of the fashion apparel market, everyday luxury**. ATZ is uniquely positioned in the North American retail apparel space, offering the experience and quality of a boutique retailer, with the integration and geographic footprint of a retail chain. ATZ is further **differentiated by its designs, quality of fabrics, and constructions, available at an attainable price point**
- ATZ boasts a combination of **brand recognition and awareness together with a high level of brand loyalty**. This allows ATZ to effectively acquire new customers and subsequently retain them, converting customers into recurring clients. ATZ is also working on building a robust social media presence, with its social media marketing gaining momentum. This is becoming increasingly important to attract a younger generation of customers. ATZ does not currently have a customer loyalty program, but communicated in its Q1 2020 earnings call that it is in the process of developing one in partnership with SAP, leveraging customer data analytics
- ATZ has also garnered an impressive celebrity following, bolstered by the Aritzia VIP Program. This allows ATZ to engage in **"influencer marketing,"** which has so far been an effective strategy. In its Q3 2020 earnings call, management stated that sales for a particular product increase 700% following an Instagram post by an influencer with 16mm followers, which featured the product. Furthermore, the next day, ATZ's own Instagram account had gained an incremental 10K followers. Celebrities who are part of the Aritzia VIP program include Meghan Markle, Kendall Jenner, Ariana Grande, and Hailey Bieber, all of whom have a wide and diverse following with the potential to greatly increase ATZ brand recognition

Niche Market Positioning



Proprietary In-House Brands

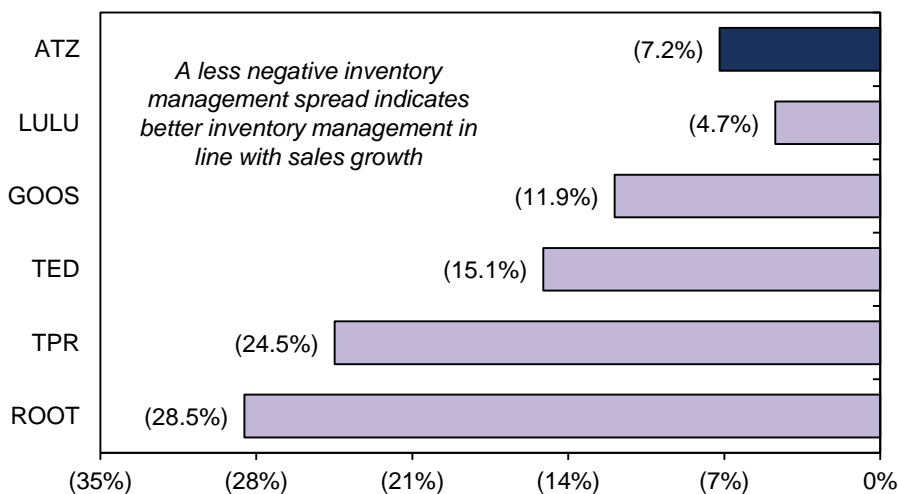


Inventory Management

Demand-driven Merchandise Planning

- ATZ has significant discipline in its inventory management, employing a **demand-driven merchandise planning strategy**, which allows it to maintain modest inventory levels
- ATZ relies on an inventory strategy of maintaining a higher inventory for items with predictable, high demand – proven sellers, while maintaining lower inventories for new, seasonal items as customer interest is gauged. 50% of SKUs are proven sellers, making up 80% of revenue. This allows a large portion of ATZ's revenue relatively stable and predictable
- Through its demand-driven merchandise planning strategy, ATZ is able to maximize full-price sales, as it does not need to rely on offering price discounts to liquidate large amounts of excess inventory, thereby also mitigating fashion risk. That being said, ATZ has increased the frequency with which it holds sales to encourage customer spending
- As a result of these strategies, ATZ has **best-in-class inventory turnover of 9.2x**

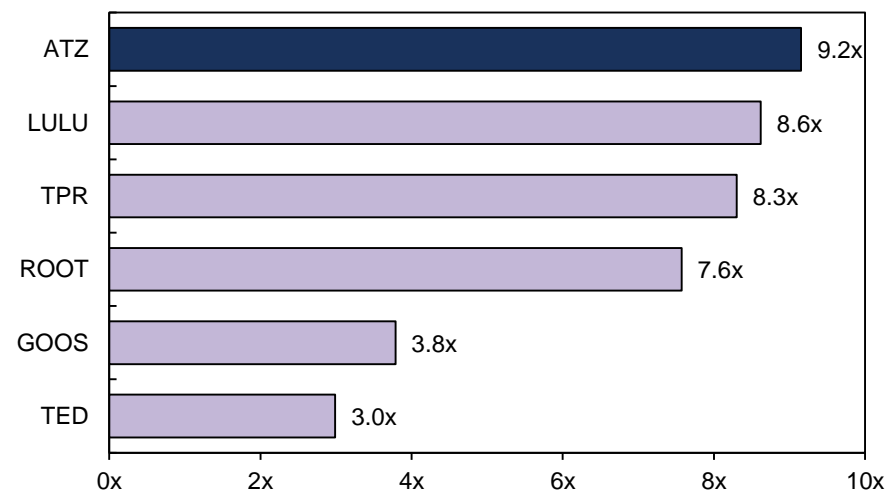
Inventory Management Spread⁽¹⁾ vs Peers



Investments in Technology

- ATZ has made significant **investments in infrastructure to drive margin expansion and fixed cost leverage** moving forward. These have been ATZ's most significant front-end investments and are expected to be a key driver behind long-term sales growth
- Recent investments include an ERP system, on-premise data centre, and new POS system, in addition to its new distribution centre
- Notably, ATZ has partnered with SAP on 4 strategic initiatives that will allow it to **leverage customer data to offer a differentiated customer experience**
 - *Customer 360: An enhanced data analytics platform completed in Q3 2020*
 - *Marketing Communications Platform: Phase I completed in Q3 2020*
 - *Digital selling tool: Providing ATZ's over 3,000 style advisors with client information and product data to be able to offer personalized shopping experiences (expected completion in Q3 2021)*
 - *Digital concierge platform: Expected completion in Q1 2021*

Inventory Turnover vs Peers



Source: Company Filings, CPMT Estimates, Koyfin, Street Research

(1) Inventory management spread calculated as change in sales minus change in average inventory

High-Growth Luxury Apparel Comps

Key Comps Metrics⁽¹⁾

ARITZIA



tapestry

TED BAKER
LONDON

	ARITZIA	Canada Goose	Roots	Omega	tapestry	TED BAKER LONDON
Market Cap	\$1.53B	\$3.39B	\$28.6mm	US\$26.5B	US\$7.00B	£74.6mm
Revenue ⁽²⁾	\$874.3mm	\$830.5mm	\$329.0mm	US\$4.0B	US\$6.0B	£617.4mm
5-yr Revenue CAGR	19.6%	39.6%	n/a	17.9%	9.5%	12.3%
5-yr EBITDA CAGR	29.3%	66.4%	n/a	24.2%	3.2%	9.7%
Number of Stores	97	11	272	491	1,540	200
Net Debt / LTM EBITDA ⁽³⁾	(0.18x)	0.25x	2.63x	(1.04x)	0.33x	1.36x
FY1 EV/EBITDA	7.6x	14.1x	5.2x	26.9x	6.6x	4.4x
FY1 P/E	19.4x	24.9x	3.7x	45.6x	8.9x	20.1x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	9.02%	4.7%

Source: Capital IQ, Company Filings, CPMT Estimates, Koyfin, Street Research, Thomson Eikon

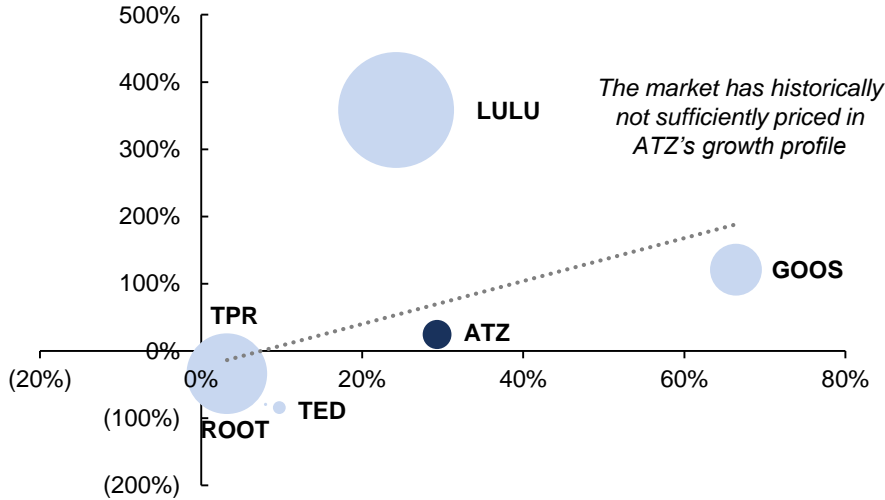
(1) Market data as of April 9, 2020

(2) As of last annual filing

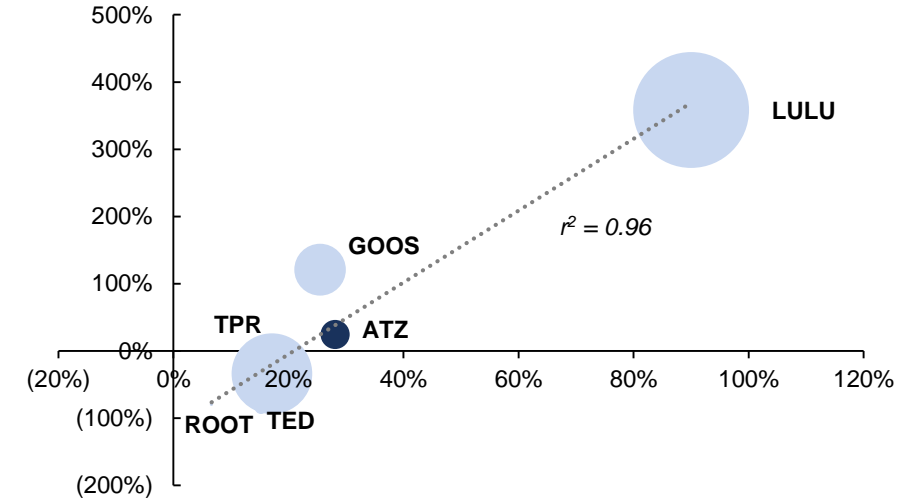
(3) Pre-IFRS 16

Peer Benchmarking

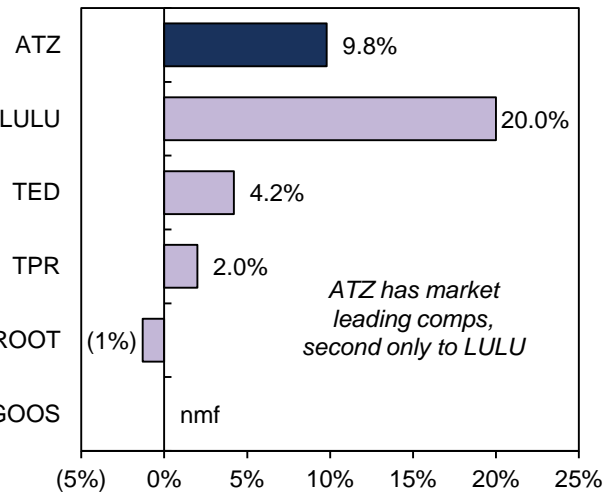
Share Price Performance⁽¹⁾ (y-axis) vs 5-year EBITDA CAGR (x-axis)⁽²⁾



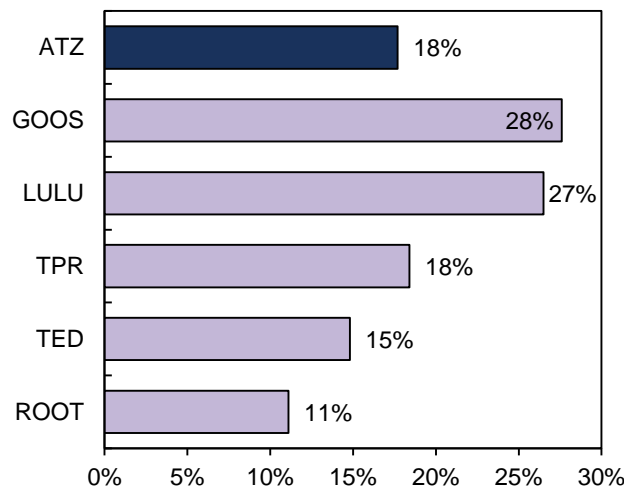
Share Price Performance⁽¹⁾ (y-axis) vs ROIC (x-axis)⁽²⁾



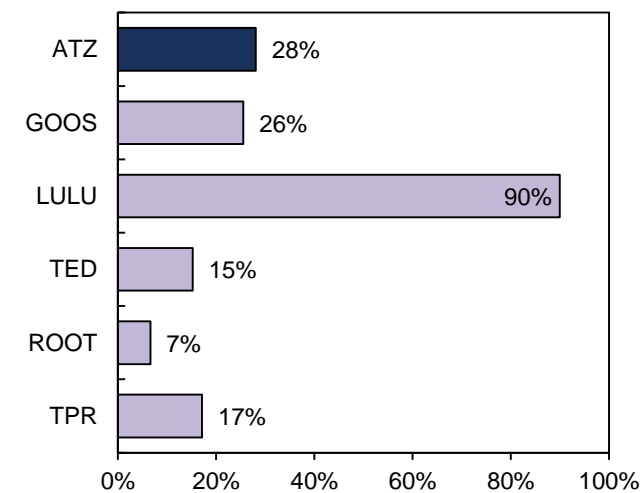
Comparable Sales Growth vs Peers



EBITDA Margin vs Peers



ROIC vs Peers



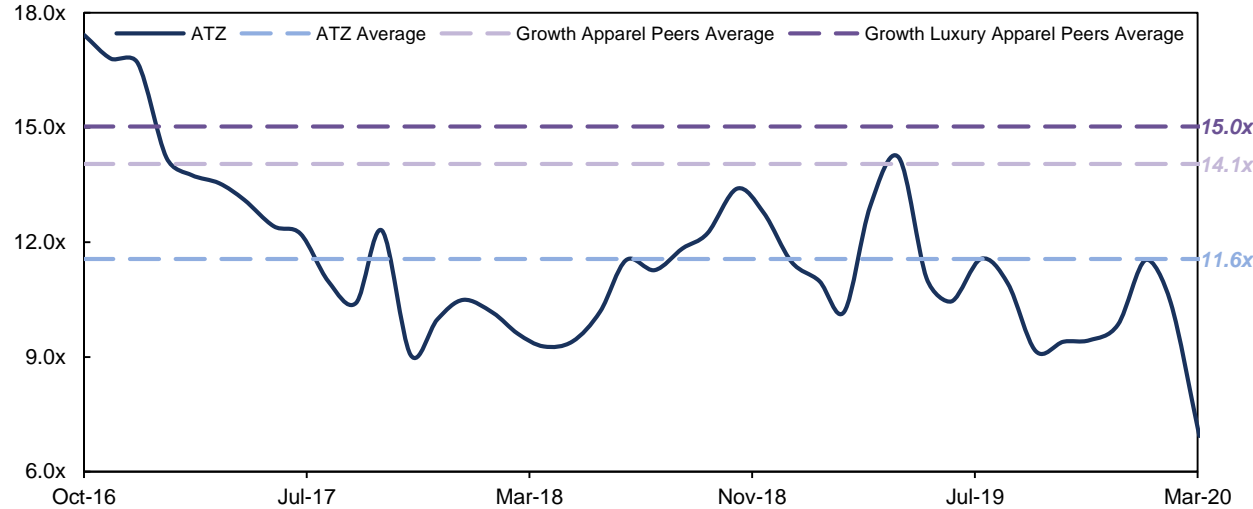
Source: Company Filings, CPMT Estimates, Koyfin, Street Research, Thomson Eikon

(1) Share price performance from April 1, 2017 to January 1, 2020

(2) Size of bubble indicates relative size of market cap

Multiples Over Time

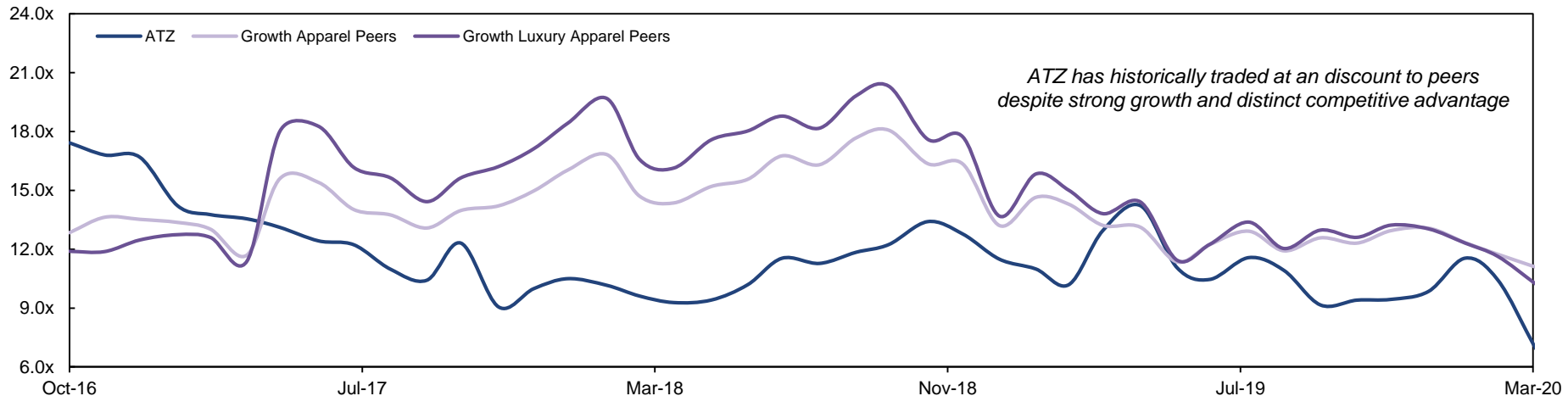
Historical EV / NTM EBITDA Multiple⁽¹⁾



Relative Valuation

- ATZ has historically traded at a discount to its high-growth apparel peers (~3x), and at an even steeper discount to its high-growth luxury apparel peers (~4x). This **discount appears to be unwarranted given ATZ's strong fundamentals and distinct competitive advantage**
- ATZ's historically discounted multiple can partially be attributed to investor sentiment surrounding the PE firm, Berkshire Partners' stake in the Company; after the firm's full exit in February 2019, ATZ's multiple temporarily improved
- Moving forward, ATZ is expected to trade at multiples more in line with peers, offering additional upside to the name from multiple expansion

EV / NTM EBITDA Multiple versus Peers⁽¹⁾



Source: Bloomberg, Company Filings, Koyfin, Street Research

(1) Growth apparel peers include LSE: TED, TSX: GOOS, ROOT, NASDAQ: DLTH, LULU, NYSE: BURL, HBI, TPR; Growth luxury apparel peers include LSE: TED, TSX: GOOS, ROOT, NASDAQ: LULU, NYSE: TPR

Management

Brian Hill

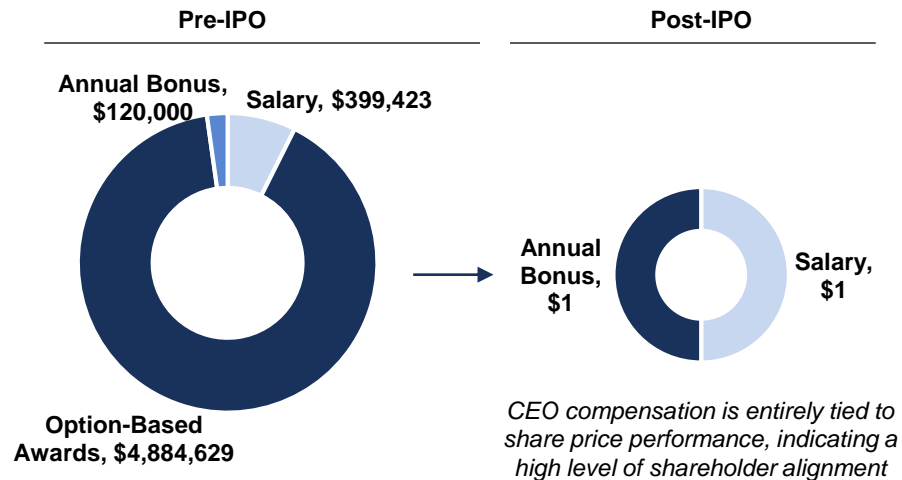


- ATZ's CEO, Founder, and Chairman, Brian Hill, is a third generation retailer and has led the Company since it started in 1984. Under his leadership, ATZ has achieved an impressive track record of consistent growth and execution
- Brian Hill owns **22.8% of shares outstanding**. With 24.5mm multiple voting shares, he has 74.8% of total voting rights
- He has attained numerous awards for his leadership of ATZ, including the Henry Singer Award for Retail Excellence (2013) and Distinguished Retailer of the Year (2012), and was named Ernst & Young Entrepreneur Of The Year for the Pacific Region (2008)

Share Ownership

Holder	% of S/O	Market Value (\$mm)
Brian Hill (Founder & CEO)	22.8%	\$346.5
FIL Limited	8.3%	\$126.1
QV Investors	7.1%	\$108.2
Beutel Goodman & Company Ltd.	5.4%	\$81.2
RBC Global Asset Management Inc.	5.1%	\$77.4
FMR LLC	3.9%	\$59.1
TD Asset Management Inc.	1.5%	\$22.4

CEO Compensation



Notable Initiatives

- **Diversity**
 - 85% of employees are women, including 54% of the Aritzia Leadership Team and 40% of Named Executive Officers
 - ATZ has donated >\$16mm in product donations, financial support, and volunteer hours to organizations helping women and girls succeed
- **COVID-19 Response**
 - ATZ closed all boutiques on March 16, 2020, with precautionary measures being taken for concierge and distribution center employees. E-commerce remains an open channel for product sales
 - All profits during COVID-19 are being donated to the Aritzia Community Relief Fund to support employees and partners affected by COVID-19. No employees have been laid off or furloughed
 - ATZ has strong liquidity to weather the downturn, with \$96mm cash and a \$100mm undrawn revolver

Execution on Targets

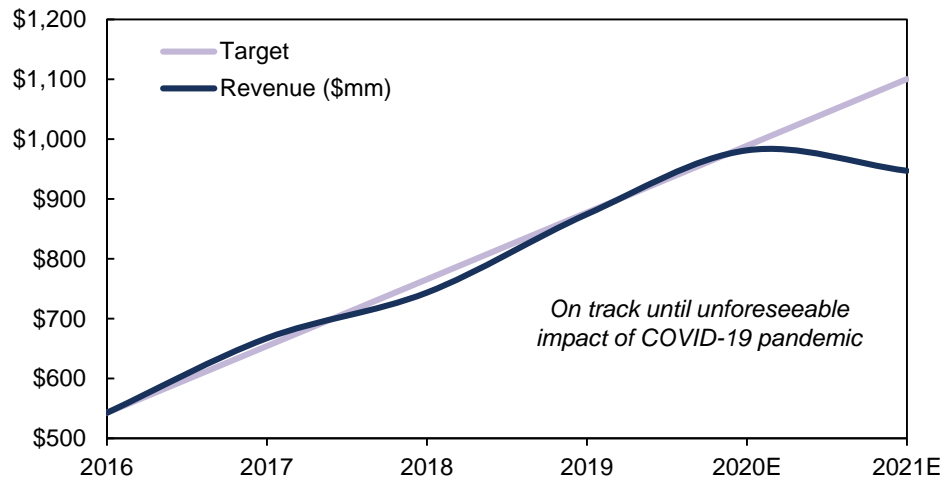
Five-Year Targets (FY 2016 – FY 2021)

- At the time of its IPO in October 2016, ATZ set five 5-yr targets. As of Q3 2020, ATZ is on track or ahead of plan on all five targets
 - (1) **Double Net Revenue:** 15-17% CAGR
 - (2) **Expand Boutique Network:** 5-6 new boutiques per year
 - (3) **Select Expansion of Boutiques:** 4-5 boutiques repositioned per year
 - (4) **Increase Adjusted EBITDA:** 18-21% CAGR
 - (5) **Triple Adjusted Net Income:** 23-26% CAGR

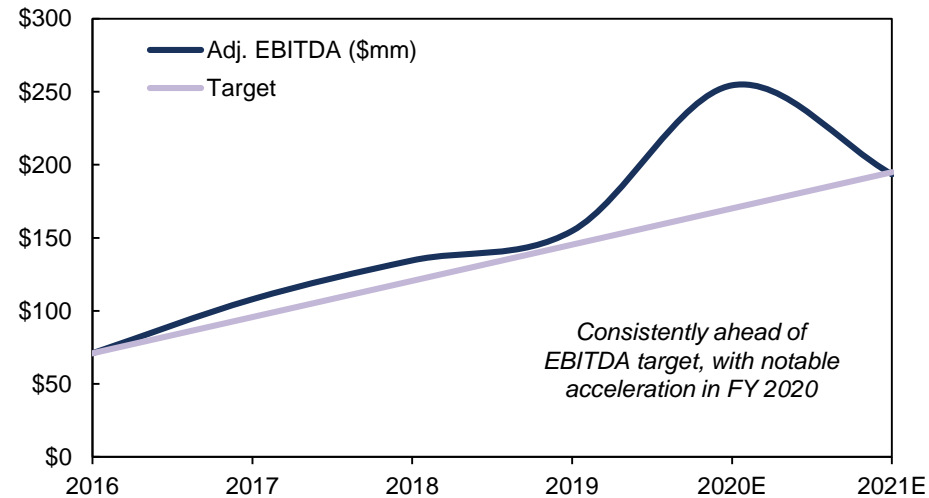
Historical Performance

Metric	Target	FY 2017	FY 2018	FY 2019	3-year CAGR
Revenue	15-17%	23.0%	11.4%	17.6%	17.3%
New boutiques	5-6	5	6	7	✓
Boutique Expansions	4-5	5	7	4	✓
Adjusted EBITDA	18-21%	38.5%	12.8%	21.3%	23.8%
Net Income	23-26%	60.4%	17.5%	24.5%	32.9%

Progress Towards 2021 Revenue Target



Progress Towards 2021 EBITDA Target



Source: Company Filings, CPMT Estimates, Street Research

Factors to Consider

Broker Opinions

“ATZ’s valuation remains just below the mid-point of post-IPO average, currently trading at a ~4x discount to high-growth peers on 2021E EBITDA. Looking ahead, **we expect the valuation gap to peers to contract as ATZ continues to outperform the space**, leading to increased confidence around ATZ’s ability to deliver and the predictability of the earnings trajectory continues to improve.”

– RBC (January 9, 2020)

“We are reducing our target price to \$23.00 (from \$27.00 previously) and maintaining our BUY rating. Our revised target price represents 13.9x our F2021 EBITDA estimate of \$183 million (previously 14.1x our F2021 EBITDA estimate of \$212 million).”

– Canaccord Genuity (March 16, 2020)

“We hosted an investor meeting at ICR 2020, with Aritzia’s CFO, Todd Ingledew, and VP of IR, Helen Kelly. Management’s commentary was positive and followed closely on the heels of strong Q3/20 results. Most notably, brand momentum in the U.S. (as well as Canada) remains robust, we believe there is a **long runway for U.S. expansion (both store network and e-commerce)**, and the company remains on track to meet or exceed its 2021E growth targets.”

– BMO (January 15, 2020)

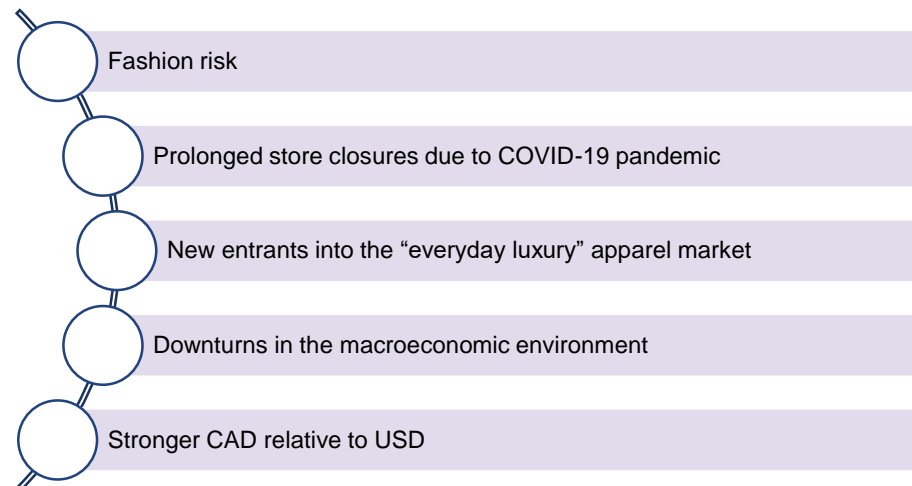
“The financial impact will be felt most acutely during **fiscal Q1/21 (ending May)**, **where we could see EBITDA go to zero**. Notwithstanding the near-term impact, Aritzia has strong liquidity to weather these unprecedented challenges.”

– BMO (March 16, 2020)

Catalysts



Risks



Valuation

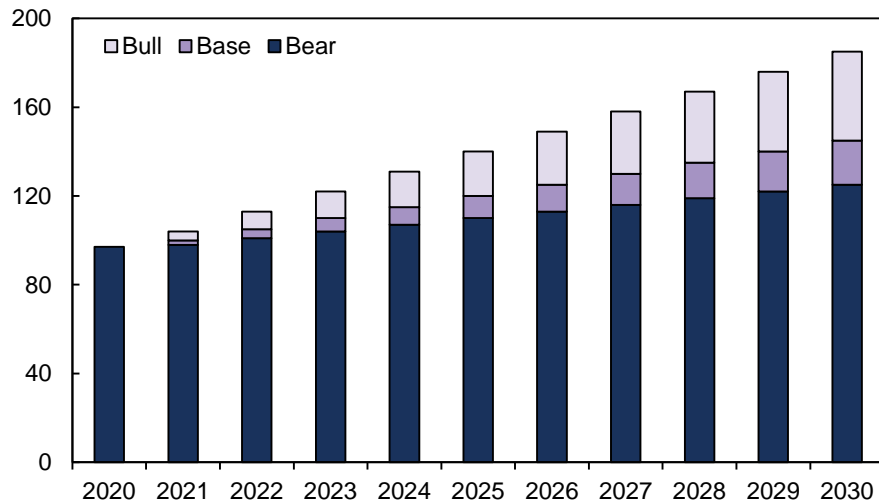
Discounted Cash Flow Valuation Ranges



Methodology

- ATZ was valued using a 5-year Discounted Cash Flow analysis at a WACC of 7.37%. The target price of \$24.00 was based on a 50/50 blend of (1) the Gordon growth method, assuming a terminal growth rate of 2.00% and (2) applying an EV/EBITDA exit multiple of 11x
- Key assumptions included boutique growth and comparable sales growth, both of which were adjusted to reflect the impact of COVID-19, which was forecast to primarily affect Q1 and Q2 of FY 2021
- The target price of \$24.00 implies a 72% upside to ATZ's current price of \$13.97 on April 9, 2020

Store Growth Cases



Sensitivity Analysis

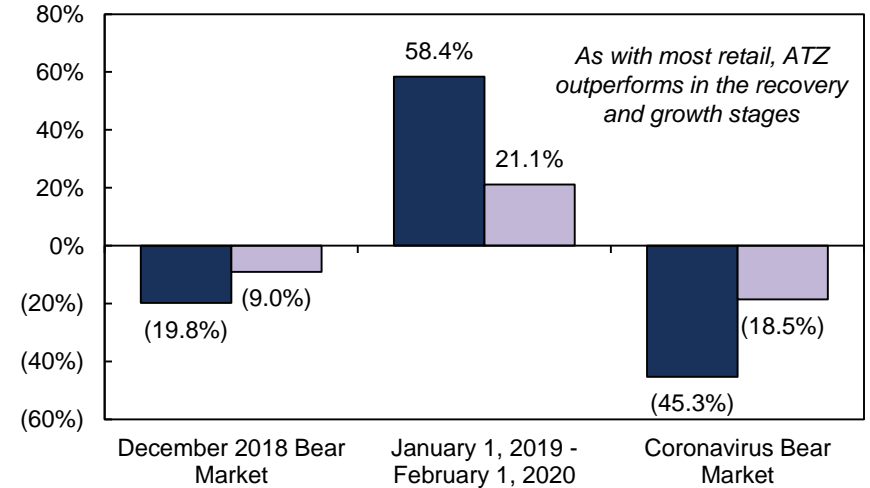
		WACC				
		5.37%	6.37%	7.37%	8.37%	9.37%
Terminal Growth Rate	1.00%	33.28	26.11	21.19	17.61	14.89
	1.50%	37.45	28.70	22.93	18.85	15.81
	2.00%	42.86	31.88	25.00	20.28	16.85
	2.50%	50.14	35.89	27.49	21.96	18.04
	3.00%	60.50	41.08	30.55	23.94	19.41
		WACC				
		5.37%	6.37%	7.37%	8.37%	9.37%
EV/EBITDA Exit Multiple	9.00x	21.63	20.50	19.44	18.43	17.48
	10.00x	23.77	22.54	21.38	20.28	19.24
	11.00x	25.92	24.58	23.32	22.13	21.00
	12.00x	28.07	26.63	25.27	23.98	22.77
	13.00x	30.21	28.67	27.21	25.83	24.53

Portfolio Fit

Portfolio Fit

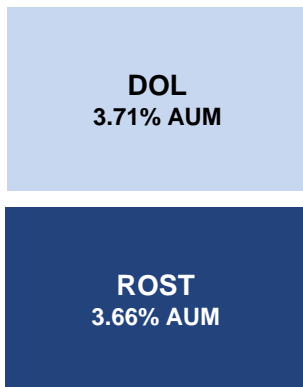
- ATZ offers the opportunity to add one of the most attractive Canadian names to the CPMT portfolio that meets all mandate points. The CPMT aims to position itself to have 50/50 exposure to Canada and the U.S. ATZ stands out as a **leading Canadian name with a combination of solid fundamentals and an attractive growth runway**
- The CPMT has historically been adopting a defensive stance; however, as the market recovers following the COVID-19-induced downturn, ATZ is well-positioned to outperform and offer substantial upside
- The CPMT is currently at weight consumer discretionary. Given the current stage of the economic cycle, one option would be to overweight the consumer discretionary sector. The second option would be to consider a swap with DOL. While both DOL and ATZ are strong players in Canadian retail, ATZ's higher-growth business model places it in a more favourable position to outperform in the repair and recovery stages of the economic cycle

Macroeconomic Performance



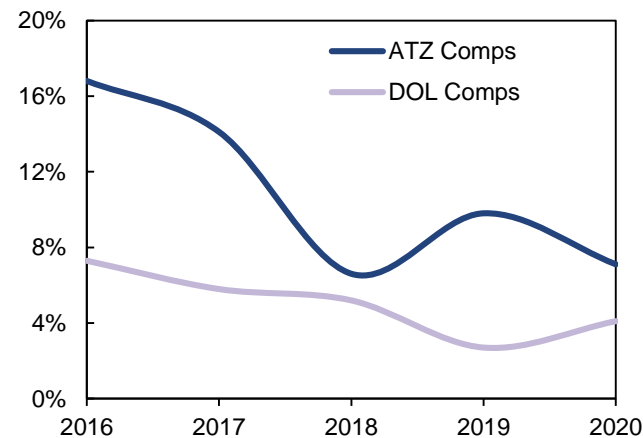
Consumer Discretionary Portfolio

Current Composition⁽¹⁾

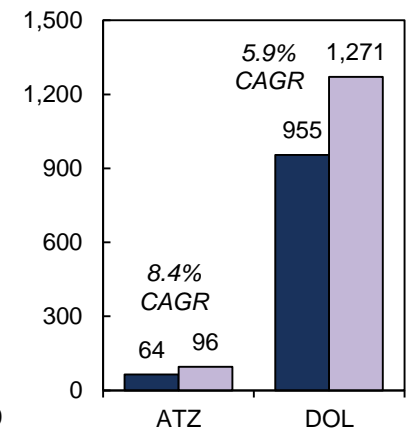


- Both DOL and ATZ are considered high-growth Canadian consumer retail names
 - **Comps:** 7% ATZ vs 4% DOL
 - **Net Debt /EBITDA:** 1.9x ATX vs 3.1x DOL
 - **Revenue CAGR 2016-2019:** 17.2% ATZ vs 15.0% DOL
- While ATZ and ROST are both softline retail apparel names, they operate in distinct segments (luxury versus off-price) with minimal competitive overlap and different levers for growth moving forward

Comparable Sales Growth



Store Growth 2015-2020



Investment Thesis

Investment Decision⁽¹⁾

ACTION	BUY
CONVICTION	2
CURRENT PRICE	\$13.97
TARGET PRICE	\$24.00
IMPLIED RETURN	72%

Investment Thesis

We view ATZ as an extremely attractive Canadian name, given its **strong fundamentals, balance sheet health and flexibility, niche positioning in the fashion apparel market, and loyal customer base**. While ATZ has an impressive track record of growth, it remains underpenetrated in both the U.S. and Canada and we view the U.S. and e-commerce as the two primary growth platforms for the Company moving forward. We have a high level of confidence in management's leadership and execution, as it is on track or ahead of all 5-year targets that were set following ATZ's 2016 IPO. Given the market compression resulting from the COVID-19 pandemic, ATZ is trading at **an extremely attractive valuation at levels well below intrinsic value**. We believe this is an opportune time to enter a position in a quality name that meets all of the CPMT's mandate pillars and offers sustainable growth moving forward.

Investment Criteria

- **Balance Sheet:** Strong capital structure allows for resilience and flexibility resulting from low leverage combined with an asset-light balance sheet
- **Growing Free Cash Flow:** Consistently positive comparable sales growth combined with a long growth runway for store openings and e-commerce penetration allow for sustainable cash generation with relatively low capex
- **Competitive Advantage:** Niche positioning as an "everyday luxury" apparel brand with exclusive in-house design teams, a celebrity following, and strong brand loyalty, combined with industry-leading inventory management
- **Quality Management:** Management is highly aligned with shareholders, with CEO and Founder Brian Hill receiving a cash salary and bonus of only \$1 each and an established track record of execution on targets
- **Attractive Valuation:** ATZ has been consistently undervalued, at ~4x below its high growth luxury apparel peer group. Combined with the market sell-off resulting from the COVID-19 pandemic, ATZ is trading at levels well below intrinsic value, with additional upside available from multiple expansion

Strong Balance Sheet?



Growing Free Cash Flow?



Competitive Advantage?



Quality Management?



Attractive Valuation?



Appendix I: Map of Boutiques

ATZ Boutique Locations Across North America



Appendix II: Select Products

Menswear (introduced Fall 2019) and Petswear (introduced Winter 2019)



Celebrity Showcases of ATZ Products



Source: Company Filings, Instagram, Vogue