MINILUXE'S MD&A IN CONNECTION WITH THE FINANCIAL STATEMENTS OF MINILUXE FOR YEAR ENDED JANUARY 1, 2023

DATED: APRIL 27, 2023

This Management's Discussion and Analysis ("MD&A") for the fifty-three weeks ended January 1, 2023 provides information on the operating activities, performance and financial position of MiniLuxe Holding Corp. ("MiniLuxe" or the "Company"). This discussion should be read in conjunction with the Company's corresponding audited financial statements for the fifty-three week period ended January 1, 2023 and related notes (the "Financial Statements"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in U.S. dollars, unless otherwise stated. The information contained herein is current to April 27, 2023, unless otherwise stated.

The fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31st, which periodically necessitates a fiscal year of 53 weeks. The fifty-three week fiscal year, which ended on January 1, 2023, is referred to as "fiscal 2022", "FY22" or similar wording, while the fifty-two week fiscal year, which ended on December 26, 2021, is referred to as "fiscal 2021", "FY21" or using similar words.

In this document unless otherwise specified, "we", "us", "our", "Company" and "MiniLuxe" all refer to MiniLuxe Holding Corp. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see "Performance Assessment" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws ("forward-looking statements"). Such statements include, but are not limited to, statements regarding MiniLuxe's projected revenues, gross margins, earnings, growth rates, the success of new products and service, market penetration and product or service plans. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause MiniLuxe's actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: MiniLuxe's history of losses and the risks associated with not achieving or sustaining profitability; risks relating to the highly competitive industry in which MiniLuxe operates; inability to successfully improve existing products or services and introduce new products or services; inability to anticipate and respond to market trends and changing consumer preferences; inability to expand market awareness of the MiniLuxe brand; damage to the MiniLuxe brand's reputational value; disruption from the impact of COVID-19 or other COVID-like pandemics; failure to receive and/or renew requisite licenses and regulatory approvals; the impact of adverse economic conditions on revenue and profitability; loss of key personnel or an inability to attract and retain new personnel; involvement in product recalls or product liability claims; inability to generate sufficient cash from operations or raise capital on acceptable terms to meet future needs; risks related to acquisitions; changes in tax and trade law; natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events; adoption of new accounting standards or interpretations or changes in accounting standards and management's underlying accounting standard assumptions, estimates and judgments; and risks related to forward-looking information contained in MiniLuxe's annual financial statements.

All forward-looking statements are qualified in their entirety by this cautionary statement. MiniLuxe is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

Overview

The Company

MiniLuxe is a digital-first, socially-responsible lifestyle brand and talent empowerment platform for the nail and waxing industry. For over a decade, MiniLuxe has been setting industry standards for health, hygiene, quality services, and fair labor practices in its efforts to transform the most used, but highly under-regulated nail care industry. MiniLuxe looks to become one of the largest inclusionary educators and employers of vocational women workers by empowering a community of diverse members on its talent empowerment platform.

The Company is headquartered in Boston, Massachusetts and has a platform of licensed nail designers and waxing specialists that provide high-quality nail care and waxing services both at studio locations or off premises through the MiniLuxe Anywhere platform. MiniLuxe also sells its own private-label line of cruelty-free, clean, better for you[1] nail and body care products, which can be purchased in-studio or via e-commerce.

In Q3 2022, MiniLuxe completed the acquisition of the majority of the assets of Paintbox, LLC and now operates a sister brand ("Paintbox") with one studio location in New York City. Paintbox brings MiniLuxe a leading brand in premium nail art & design, proprietary IP in an iconic look-book, 260K new social followers, and a studio on the Upper East Side of Manhattan. At this location Paintbox-trained nail artists

[1]All MiniLuxe products are 8-free. 8-free means that MiniLuxe products do not contain formaldehyde, toluene, dibutyl phthalate, formaldehyde resin, camphor, triphenyl phosphate, ethyl tosylamide or xylene.

perform high quality nail services featuring sophisticated nail art reminiscent of runway and editorial trends. Paintbox also sells a curated line of nail polishes, treatments, and manicure kits, which can be purchased in-studio or via e-commerce. Please see *Acquisitions* and *Significant Events* for more details.

On November 23, 2021, MiniLuxe Inc. and MiniLuxe Holding Corp ("MiniLuxe Holding") formerly Rise Capital Corp completed a reverse takeover transaction (the "RTO Transaction"), providing for the acquisition by MiniLuxe Holding of all the issued and outstanding common shares of MiniLuxe. Pursuant to a securities exchange agreement, all common shares of MiniLuxe were exchanged for Subordinate Voting Shares and Proportionate Voting Shares of MiniLuxe Holding, and MiniLuxe became a wholly owned subsidiary of MiniLuxe Holding, which is continuing on with the business of MiniLuxe. As a result, the financial statements are presented as a continuance of MiniLuxe, and the comparative figures presented in the financial statements are those of MiniLuxe.

Products and Services

MiniLuxe operates as one principal operating segment that consists of Talent revenue and Product revenue.

Talent revenue is derived from the provision of self-care services including nail care, waxing and other esthetic services. The Company delivers its services revenue across an ecosystem of 20 fully-owned and operated MiniLuxe / Paintbox studios (and 1 training center) as well as "off-premises" delivery (at residential, offices, and hospitality venues and events) through its MiniLuxe Anywhere offering. Retail product sales at the MiniLuxe/Paintbox fleet of studios are reflected in Talent revenue.

Product revenue is derived from the sale of proprietary lines of self-care products sold both direct-to-consumer via e-commerce websites and through various wholesale partners. MiniLuxe differentiates its product offerings by committing to clean, sustainable and better-for-you products that have been time- and client-tested across 3+ million services performed. MiniLuxe and Paintbox products are sold through MiniLuxe team members who are all product ambassadors, wholesale channels, and online DTC (direct-to-consumer) e-commerce.

Across all of MiniLuxe product and service offerings, the Company differentiates itself through a digitally driven experience alongside a dual commitment to setting high standards of cleanliness and empowering a diverse base of employees. Some of the specific factors that make MiniLuxe's offerings distinctive:

- Every MiniLuxe-branded studio location is equipped with a "Clean Lab" that utilizes surgical-grade sterilization techniques to clean metal tools, while all non-metal tools are disposed of after each service.
- All MiniLuxe/Paintbox talent operations run on a fully digitized booking, personalization, and payment platform.
- All products in the MiniLuxe proprietary line and products used in MiniLuxe services are formulated with best efforts to be sustainable, ethically sourced, clean, better and safer for you[1].
- Nail designers and waxing specialists are compensated with fair wages commensurate with their experience and their value as professionals and receive benefits that include healthcare coverage and paid time off.

Summary of Key Performance Factors

MiniLuxe's performance and future success depend on numerous factors, each presenting inherent opportunities and risks. A number of significant factors are outlined below, though the list is not exhaustive. Additionally, the Company notes that since March 2020, the COVID-19 pandemic and resulting government efforts to contain the virus along with the macroeconomic impacts of inflation and labor shortages have disrupted many factors which affect the Company's operations and performance. In 2022, the Company saw consumer demand trending towards pre-pandemic levels as it continues to expand operating capacity in its studios. However, the Company continues to experience the impact of inflation and low unemployment, making hiring more difficult than in other periods. There remains opportunity for fixed cost leverage at the studio level as the Company builds capacity back to pre-pandemic levels and as higher costs due to inflation begin to normalize.

MiniLuxe Brand

The MiniLuxe brand is synonymous with consistency, quality, and conscience. Clients can be assured of premium, hygienic services, ethical working conditions, and a calming environment. The integration of MiniLuxe-branded products into the in-studio service experience, alongside a commitment from day one to provide only non-toxic and cruelty-free polishes in a hygienic environment, further distinguish MiniLuxe's brand.

Strategic Offering

The Company's strategy involves delivery of MiniLuxe products and services across a comprehensive, omni-channel offering, which includes:

Talent Revenue

- On premises
    - MiniLuxe branded Studios
    - Paintbox branded Studios
- Off premises
    - MiniLuxe Anywhere

Product Revenue

- E-commerce
- Wholesale

Consumer Trends

The self-care market has benefited from the following trends and tailwinds: clean beauty, ethical services and conscious consumerism (including more diverse and inclusive brands). These trends are directly aligned with MiniLuxe's founding principles.

Competition

MiniLuxe operates in the self-care product and service industry. The industry is highly fragmented, and much of the service competition comes from single unit mom and pop salons. Whereas most salons compete on price, MiniLuxe focuses on the Company's principles of clean products, a hygienic environment, ethical and empowering treatment of MiniLuxe employees and high-quality service. The Company believes that consumers will increasingly demand products and services in line with the MiniLuxe offering. Competition for talent in the industry is a key driver of success, specifically focusing on recruitment, development and retention. The MiniLuxe proprietary market-ready training program positions the Company with a competitive advantage to acquire talent. On the product side, the quality of MiniLuxe's back-bar supplies and polishes, the Company's clear brand message, and targeted market positioning, are similarly differentiating factors.

Acquisitions

MiniLuxe may pursue acquisitions that represent a strong strategic fit and are complementary and consistent with the Company's overall growth strategy, core business values and disciplined capital management. MiniLuxe may also consider opportunities to engage in joint ventures or other business collaborations with third parties. In Q3 2022, MiniLuxe completed the acquisition of the majority of assets of Paintbox LLC ("Paintbox"), which was treated as a business combination under IFRS. Paintbox brings MiniLuxe their nail studio in a new market of New York City, leading brand in premium nail art & design, proprietary IP in their iconic look-book, and 260K new social followers. Please see *Significant Events* for more details.

Seasonality

MiniLuxe's business is subject to seasonal variation. During FY2022, 21% of Talent revenue occurred in Q1, 26% each in Q2 and Q3, and 27% in Q4.

Performance Assessment

In assessing the performance of MiniLuxe's business, the Company considers a variety of financial and operating drivers that affect the Company's operating results. All figures are denominated in U.S. dollars.

Revenue

MiniLuxe's business model consists of 1) Talent services revenue generated from nail care and waxing/esthetics, and 2) Revenue generated from the Company's premium, proprietary nail and self-care Product portfolio via e-commerce and DTC (direct-to-consumer) offerings. The Company's services revenue is delivered across an ecosystem of 20 fully-owned and operated MiniLuxe / Paintbox fleet of studios (and 1 training center) as well as "off-premises" delivery (at residential, offices, and hospitality venues and events) through its MiniLuxe Anywhere offering. In addition to services, MiniLuxe is building and selling a line of proprietary nails, waxing, and skin / body care products.

The Company recognizes Talent revenue immediately after a given service is completed or when retail is sold and Product revenue after fulfillment of each order in accordance with IFRS 15. Historically the Company has only received consideration in advance of provided goods and services related to the sale of gift cards and service packages. The Company records unused gift card balances as deferred liabilities then recognizes revenue and reduces the corresponding liabilities as the gift cards are redeemed in exchange for services.[2] The Company does not charge administrative fees on unused gift cards, and gift cards do not have an expiration date. Revenue as reported is inclusive of all discounts and promotions.

The Company collects and remits sales tax on transactions with customers and reports such amounts under the net method in the statement of operations. Accordingly, these taxes are not included in gross revenue.

Cost of Sales

Cost of sales consists of expenses directly involved in the delivery of services and products. Cost of sales associated with the Company's Talent revenue includes the cost of products used in services and the cost of direct labor, defined as the immediate service providers. Cost of sales associated with MiniLuxe's Product revenue primarily consists of the cost of purchasing MiniLuxe private label products directly from manufacturers, raw materials, and third-party products purchased at wholesale cost.

Gross Profit

Gross profit reflects MiniLuxe's revenue less cost of sales. The Company defines gross profit margin as MiniLuxe's gross profit divided by MiniLuxe's net revenue.

Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses primarily consist of indirect labor costs (defined as salaries, wages, and benefits for employees whose primary function is not service provision), marketing costs, accounting and legal fees, information technology and systems expenses, other professional services fees, freight and shipping costs, and variable occupancy expenses.

2022 Business Highlights

MiniLuxe achieved strong year-over-year growth as FY2022 revenue increased 29% over FY2021 at $21.5M (all figures in US dollars) with gross profit of $9.4M, an increase of 15% year-over-year ("YoY"). Organic growth from this same MiniLuxe studio fleet made up 96% of 2022 total revenue, through the operational excellence and optimization of units. To provide further context, MiniLuxe same studio sales in 2022 were 13% higher than 2019 (pre-pandemic) comps. Considering lingering impacts of the pandemic (e.g., Delta variant in Q1 2022) along with the labor and inflation issues peaking in Q2 and Q3 2022), the studios still operated with some limitations on operating hours and reduced capacity, providing further confidence in the brand's resiliency, the quality and stickiness of the Company's Loyal Clients (defined as those clients who visit MiniLuxe on at least a monthly basis), and management's ability to be agile against volatile times.

[2] See accounting policy and estimation process related to gift card breakage in Note 4 to the audited FY 2022 annual financial statements.

Overall, MiniLuxe growth continues to be led by the MiniLuxe studio fleet as the Company remains keenly focused on maximizing the optimal economics of the core business while expanding and scaling its offering across an omni-channel platform for the self-care industry. While the Company is proud of the progress made in 2022, expectations for 2023 are even higher as the Company seeks to continue to capture the growing self-care trend in the US. MiniLuxe staffing initiatives continue to yield positive results as Q4 fleet weekly scheduled hours grew 4% vs. Q3 2022 and over 20% YoY (fleet weekly scheduled hours is defined as the average weekly designer (nail or wax) scheduled hours per studio). Demand also remained strong as new clients increased by 11% v. Q3 2022 and 23% YoY. These favorable trends can be attributed to many factors, but the leadership team's focus on delivery of high-quality revenue growth has been key to the positive trajectory ("high-quality revenue" defined as revenue with attributes of high predictability, high gross margin, and is diversified). MiniLuxe's Loyal Clients continue to grow in both absolute volume and as percentage of total clients, surpassing pre-pandemic levels. To further strengthen MiniLuxe's relationship with Loyal Clients as well as to attract the next generation of Loyal Clients, MiniLuxe continues to focus on initiatives to drive repeatability and growth in average ticket, including expansion of premium nail services, increased aesthetic and waxing offerings, and expansion of the MiniLuxe platform into premium nail art via the acquisition of Paintbox. These new services, combined with MiniLuxe's Anywhere program expansion, contributed to increased revenue diversification, which MiniLuxe believes will be an essential aspect of its growth.

Outlook to Fiscal 2023

As the calendar turns to 2023, MiniLuxe's Board and leadership team are aligned and focused on continued development of long-term profitable operations that drive increased enterprise value. MiniLuxe will continue to execute on its core strategy of connecting marketplace supply and demand through MiniLuxe's brand and digital platform, expanding its owned-and-operated omnichannel ecosystem, and driving innovation and expanded self-care services and products through a strong base of organic growth complemented by targeted accretive acquisitions.

MiniLuxe has set a goal of achieving positive free cash flow generation in 2024 with existing capital on hand. While macro-economic factors including labor shortages, changes in credit availability/ terms and inflation remain impactful, MiniLuxe continues to see growth in market supply and demand. In addition to the expected continued growth of the on-premises studio business, additional growth is expected to come from high conviction and financially sound, strategic investments, including the brand's new growth channels of its off-premises MiniLuxe Anywhere and product (e-commerce and wholesale) channels. MiniLuxe is well positioned to achieve its strategic goals and vision to be the leader in the industry. The Company's new growth channels have started to demonstrate positive green shoots with proof-of-concept tests of the digital MiniLuxe Anywhere offering.

Non-IFRS Measures

Adjusted EBITDA

Management believes Adjusted EBITDA accurately reflects the commercial reality of the Company's operations on an ongoing basis by adding back non-cash expenses. Additionally, the rent-related adjustments ensure that studio-related expenses align with revenue generated over the corresponding time periods.

Adjusted EBITDA is calculated by adding back fixed asset depreciation, right-of-use asset amortization under IFRS 16, asset disposal, and share-based compensation expense to IFRS operating income, then deducting straight-line rent expenses[3] net of lease abatements. IFRS operating income is revenue less cost of sales (gross profit), additionally adjusted for general and administrative expenses, and depreciation and amortization expense.

A reconciliation of IFRS operating income to Adjusted EBITDA is included in *Selected Consolidated Financial Information.*

The Company also uses Fleet Adjusted EBITDA to evaluate the performance of its MiniLuxe core fleet business (19 MiniLuxe branded studios). This metric is calculated in a similar manner, starting with Talent revenue and adjusting for non-fleet Talent revenue and cost of sales, further adjusted by fleet general and administrative expenses and finally subtracting straight line rent expense (similar to amount used in the full company Adjusted EBITDA, less amounts allocated to locations outside of MiniLuxe's core fleet business, i.e. Paintbox). The Company believes that this metric most closely mirrors how management views the fleet portion of the business. A reconciliation of Talent revenue to Fleet Adjusted EBITDA is included in *Selected Consolidated Financial Information.*

Selected Consolidated Financial Information

The following tables set forth selected financial information derived from the Company's audited annual consolidated financial statements for the three fiscal years ended January 1, 2023, December 26, 2021, and December 27, 2020. The selected financial information was prepared in accordance with IFRS in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

[3] Straight-line rent expense for a given payment period is calculated by dividing the sum of all payments over the life of the lease (the figure used in the present value calculation of the right-of-use asset) by the number of payment periods (typically months). This number is then annualized by adding the rent expenses calculated for the payment periods that comprise each fiscal year. For leases signed mid-year, the total straight-line rent expense calculation applies the new lease terms only to the payment periods after the signing of the new lease.

Statement of Comprehensive Income (Loss)

in thousands of U.S. dollars	January 1, **2023**	Fiscal Year Ended December 26, **2021**	December 27, **2020**
Revenue	$21,470	$16,682	$10,610
Cost of sales	12,095	8,517	6,577
Gross profit	9,375	8,165	4,033
General and administrative expense	16,675	13,863	10,090
Stock listing expense	-	5,919	-
Depreciation and amortization expense	3,106	3,019	3,514
Operating loss	(10,406)	(14,636)	(9,571)
Finance costs	(1,381)	(2,893)	(2,931)
Finance income	-	10	16
Other income	174	2,704	3,965
Unrealized gain (loss)	-	(39,558)	14,540
Income (loss) before taxes	(11,613)	(54,373)	6,019
Income tax expenses	(64)	(61)	(48)
Net and comprehensive income (loss)	**(11,677)**	**(54,434)**	**5,971**
Adjusted EBITDA	**(9,445)**	**(7,162)**	**(8,294)**
Earnings per share			
Common shares (basic)			0.52
Common shares (diluted)			0.05
Subordinate voting shares (basic)	(0.08)	(1.40)	
Proportionate voting shares (basic)	(79.74)	(1,402.41)	
Subordinate voting shares (diluted)	(0.08)	(1.40)	
Proportionate voting shares (diluted)	(79.74)	(1,402.41)	

Earnings per share is updated to reflect the RTO transaction share conversion ratio of 1.34303.

Reconciliation of Full Company Adjusted EBITDA to Operating Loss

in thousands of U.S. dollars	January 1, **2023**	Fiscal Year Ended December 26, **2021**	December 27, **2020**
Operating Loss	**($10,406)**	**($14,636)**	**($9,571)**
Right-of-Use Asset Amortization Expense	1,243	1,383	1,769
Fixed Asset Depreciation Expense	1,863	1,635	1,745
Disposals	70	439	268
Stock Compensation Expense	168	216	90
Stock Listing Expense	-	5,919	-
Straight Line Rent	(2,383)	(2,376)	(3,015)
Lease Abatements	-	258	420
Adjusted EBITDA	**($9,445)**	**($7,162)**	**($8,294)**

Reconciliation of Fleet Adjusted EBITDA to Talent Revenue

	Fiscal Year Ended	
in thousands of U.S. dollars	January 1, **2023**	December 26, **2021**
Talent Revenue	**$21,144**	**$16,262**
Less: Non-Fleet Revenue	(483)	(10)
Talent Cost of Sales	(11,812)	(8,287)
Less: Non-Fleet Cost of Sales	390	15
Fleet SG&A	(5,425)	(4,839)
Fleet Straight Line Rent	(2,288)	(2,376)
Fleet Lease Abatements	-	258
Fleet Adjusted EBITDA	**$1,526**	**$1,023**

Balance Sheet

in thousands of U.S. dollars	January 1, **2023**	December 26, **2021**	December 27, **2020**
Current assets			
Cash, cash equivalents and restricted cash	$8,343	$19,120	$2,866
Inventory	1,703	1,686	1,497
Prepaid expenses and other current assets	673	413	235
Total current assets	10,719	21,219	4,598
Total non-current assets	13,034	12,277	15,372
Total assets	**$23,753**	**$33,496**	**$19,970**
Current liabilities			
Accounts payable and accrued liabilities	$2,638	$3,575	$5,394
Deferred revenue	2,407	1,376	1,161
Current portion of lease liability	1,513	1,384	1,394
Total current liabilities	6,558	6,335	7,949
Total non-current liabilities	8,418	7,967	51,580
Total liabilities	14,976	14,302	59,529
Total equity (deficit)	8,777	19,194	(39,559)
Total liabilities and shareholders' equity	**$23,753**	**$33,496**	**$19,970**

Results of Operations

Revenue

The following table breaks down total revenue by Talent and Product :

	Fiscal Year Ended	
	January 1,	December 26,
in thousands of U.S. dollars	**2023**	**2021**
Talent	$21,144	$16,262
Product	326	420
Total Revenue	**$21,470**	**$16,682**

Fiscal Year 2022 compared to Fiscal Year 2021

Revenues for FY2022 totaled $21.5 million, up 29% from $16.7 million recognized in FY2021. This year-over-year increase was primarily due to a rebound in Talent revenue as COVID-19 related capacity restrictions eased and consumer confidence returned. The Company was able to reopen, add hours, and increase staffing in certain physical locations that had previously been closed or restricted during FY2021 due to COVID-19 related government mandates.

The Company also saw improved like-for-like fleet revenue compared to the year prior to the pandemic, with a 13% increase in FY2022 vs. FY2019 (like-for-like). Approximately 86% of revenue in FY2022 came from nail services, 9% came from waxing services, and 2% came from e-commerce product sales, with the balance coming from in-studio retail product sales. The Company plans to increase its marketing efforts and partner with selected national distributors, which management expects will increase revenue attributable to the Product segment.

Gross Margin

The following table breaks down the calculation of the Company's gross profit as a percentage of total revenue.

	Fiscal Year Ended	
	January 1,	December 26,
in thousands of U.S. dollars	**2023**	**2021**
Revenue	$21,470	$16,682
Cost of Sales	12,095	8,517
Gross Profit ($)	**$9,375**	**$8,165**
Gross Margin (%)	*43.7%*	*48.9%*

Fiscal Year 2022 compared to Fiscal Year 2021

Gross Profit for FY2022 was $9.4 million, or +15% from FY2021 of $8.2 million, driven by increased studio services and expansion in growth channels. Gross margin for FY2022 was 43.7%, a 5.2% decrease from the previous year's level of 48.9%. In addition, there may be fluctuations in gross margin during periods of growth investments. Lower gross margin during 2022 can be attributed to increased utilization of strategic staffing incentives to increase staffed hours across the fleet to meet demand in the summer and fall/holiday season months.

Operating Expenses

The following table provides an analysis of the Company's general and administrative expenses as a percentage of total revenue.

General and Administrative Expenses:

	Fiscal Year Ended	
	January 1,	December 26,
in thousands of U.S. dollars	**2023**	**2021**
General and administrative expense ($)	$16,675	$13,863
General and administrative expense (% of Revenue)	*77.7%*	*83.1%*

Fiscal Year 2022 compared to Fiscal Year 2021

The year-over-year increase in total general and administrative expenses is driven by the activation of new growth channels with planned strategic investments in key hires and brand awareness. The Company notes that there is a lag between G&A outlays and the revenue generated from those expenses; the lags may vary across the types of expenses and the revenue sources they are associated with. FY2022 general and administrative expense as a percentage of Revenue decreased four percentage points, from 83% in FY2021 to 78% in FY2022. This decrease can be attributable to fixed cost leverage.

Operating Expenses:

	Fiscal Year Ended	
	January 1,	December 26,
in thousands of U.S. dollars	**2023**	**2021**
Operating expense ($)	$19,781	$22,801

Fiscal Year 2022 compared to Fiscal Year 2021

Total operating expenses in FY 2022 were $19.8 million, a $3.0 million decrease from $22.8 million in FY2021. The decrease was primarily attributed to the $5.9 million reduction in stock listing expense as the company went public in FY2021. This decrease was partially offset by a $3.0 million increase in general and administrative costs, as discussed above.

In addition, the Company activated planned strategic growth initiatives by investing in key hires and increased indirect labor costs as studio operations began to normalize.

Other Items

Fiscal Year 2022 compared to Fiscal Year 2021

Finance costs

Finance costs were $1.4 million in FY2022, or $1.5 million lower than FY2021 of $2.9 million. The amount represents interest expense related to real estate leases as accounted for under IFRS 16 as well as senior debt interest incurred. In FY2021, finance costs also consisted of interest on convertible notes, which were converted as part of the RTO Transaction. The decrease in finance costs is due to no related interest on convertible notes recognized in FY2022.

Other income (loss)

Other income was $174K in FY2022, which represents foreign exchange gains and amounts received for Employee Retention Credits compared to $2.7 million in FY2021, which was similarly attributed to receipt of Employee Retention Credits.

Change in fair value of redeemable preferred stock

IFRS requires securities containing certain provisions and characteristics to be classified as financial liabilities instead of as components of shareholders' equity. The preferred stock contains such provisions, specifically a redemption right exercisable during a two-year period commencing December 31, 2022. The redeemable preferred stock was exchanged for Subordinate Voting Shares or Proportionate Voting Shares in the RTO Transaction during FY2021. As such, there were no unrealized gains or losses recognized for FY2022 (FY2021: ($39,558) million).

Adjusted EBITDA

Fiscal Year 2022 compared to Fiscal Year 2021

Adjusted EBITDA was ($9.4) million in FY2022 compared with ($7.2) million in FY2021. The year-over-year decrease is primarily attributable to an increase in the Company's general and administrative costs due to planned growth initiatives. While there was a decrease in adjusted EBITDA YoY, the Company saw a year-over-year increase in revenue and gross profit as a result of contribution from the MiniLuxe fleet of 19 studios. Fleet Adjusted EBITDA was $1.5M in FY2022 compared with $1.0M in FY2021.

The fleet produced an Adjusted EBITDA margin of 7.4% in FY2022, compared with an Adjusted EBITDA margin of 6.3% in FY2021. The improvement is a result of more efficient operations and increased consumer demand. All studios in the fleet were open (albeit at reduced operating hours compared to pre-pandemic) for the duration of FY2022, which resulted in a significant improvement compared to FY2021.

Summary of Quarterly Results

Due to the COVID-19 pandemic, MiniLuxe closed its fleet of studios in the beginning of 2020, with operations returning with government-mandated capacity restrictions through the remainder of 2020. Throughout the remainder of 2020, as those capacity restrictions eased, performance continued to improve, and demand started to normalize. By Q4 of 2021, the studios were fully operational but re-ramping operating hours to pre-pandemic levels. Studios continue to be fully operational with ramping operating hours through

FY 2022. MiniLuxe has seen performance improve throughout 2022, with increased staffed hours and appointment counts. MiniLuxe also saw improved revenue with slightly reduced gross profit due to staffing initiatives and supply chain impacts causing increased cost of sales.

In thousands of US dollars

Description	Jan 1, 2023 $	Sep 25, 2022 $	June 26, 2022 $	March 27, 2022 $	Dec 26, 2021 $	Sep 26, 2021 $	June 27, 2021 $	Mar 28, 2021 $	Dec 27, 2020 $
Revenue	6,000	5,579	5,486	4,407	5,160	4,748	4,176	2,598	2,989
Gross Profit	2,582	2,487	2,489	1,909	2,385	2,243	2,312	1,226	1,154
Net loss for the period									
Total	(2,491)	(3,549)	(2,962)	(2,710)	(27,088)	(5,156)	(14,692)	(7,498)	(8,909)
Per Share (basic)						(0.18)	(0.52)	(0.27)	(0.77)
Per Share (diluted)						(0.18)	(0.52)	(0.27)	(0.77)
Subordinate (basic)	(0.02)	(0.02)	(0.02)	(0.02)	(0.37)				
Proportionate (basic)	(16.93)	(24.22)	(20.29)	(18.56)	(371.37)				
Subordinate (diluted)	(0.02)	(0.02)	(0.02)	(0.02)	(0.37)				
Proportionate (diluted)	(16.93)	(24.22)	(20.29)	(18.56)	(371.37)				

The change in net loss across the six quarters from Q4 2020 through Q4 2021 is primarily attributable to the changes in fair value of the Company's preferred stock. Earnings per share is updated to reflect the RTO transaction share conversion ratio of 1.34303.

Liquidity and Capital Resources

Historically, the Company has financed its operations through the sale of equity securities, raising debt, and generating cash through its operating activities. In 2021, the Company completed an RTO transaction and PIPE financing (see *"RTO Transaction" in FY2021 financial statements*), which combined resulted in a $15.5 million inflow.

Cash and cash equivalents

As of January 1, 2023, the Company's cash and cash equivalents totaled $8.3 million, a decrease of $10.8 million over the December 26, 2021 balance of $19.1 million. The decrease in the Company's cash was a result of cash spent for fixed asset additions, general and administrative expenses, and repayment of loan payable and lease liabilities.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital surplus shrank by $10.7 million to $4.2 million as of January 1, 2023 from $14.9 million at December 26, 2021. This was largely driven by a decrease in cash and cash equivalents used to pay additional operating expenses during 2022.

	As of	
in thousands of U.S. dollars	January 1, **2023**	December 26, **2021**
Current assets	$10,719	$21,219
Current liabilities	6,558	6,335
Working capital	**$4,161**	**$14,884**

The following table shows the Company's cash flows from operating activities, investing activities and financing activities for the periods indicated.

Cash inflows (outflows) by activity:

	Fiscal Year Ended	
in thousands of U.S. dollars	January 1, **2023**	December 26, **2021**
Operating activites	($8,362)	($3,769)
Investing activities	($723)	($1,276)
Financing activities	(1,692)	21,299
Net (outflows)/inflows	**($10,777)**	**$16,254**

Cash Flows Used in Operating Activities

Cash flows from operating activities consist of MiniLuxe's net loss adjusted for non-cash expenses and for changes in working capital items. Non-cash adjustments generally include depreciation and amortization, share-based payments, write-downs on disposals of property, plant, and equipment, and adjustments in the fair value of assets and liabilities. Working capital adjustments generally include changes in inventories, prepaid expenses, and deferred revenue, and changes to accounts payable.

During FY2022, the net cash flow from operating activities was ($8.4) million compared to ($3.8) million in FY2021. This additional outflow is driven by a re-ramping of operating expenses as capacity and demand returned post-COVID as well as the investment into growth channel initiatives, including labor and operating expenses.

Cash Flows from Investing Activities

Net cash outflows from investing activities result from purchases and disposals of property, plant and equipment and intangible assets to support product development, facilities expansion, and general growth. These include investments in new fleet and market expansion and development of the MiniLuxe digital platform.

Net cash outflows from investing activities for FY2022 were $723K and are attributable to cash payments for fixed asset and intangible additions, as well as the acquisition of ROU asset from the business combination. This was a decrease in outflows from the $1.2 million outflow recorded in FY2021. Approximately 53% of cash outflows in FY2022 for investing activities were for development and build-out of the digital platform, 23% for talent infrastructure, market expansions, and ML Anywhere, and 24% for existing fleet improvements.

Cash Flows from Financing Activities

Net cash flow from financing activities for FY2022 was ($1.7 million) which compares to $21.3 million inflow in FY2021. Outflows are attributable lease payments and repayments of loan payable balance in FY2022 and FY2021. FY2021 inflows associated with the RTO transaction, issuance of convertible promissory notes and senior debt financing.

Liquidity and Cash Resource Requirements

The Company's objective in managing its capital is to ensure that it has sufficient liquidity to support its operations and meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfil obligations. In managing working capital, the Company may limit or control the amount of working capital used for operations or other initiatives and/or pursue additional financing. The Company is not subject to any financial ratio maintenance covenants in its bank borrowings or other outstanding debt obligations.

Disclosure of Outstanding Share Data

The Company's outstanding share data has not changed since the reporting date. Please see Note 14 in the Company's financial statements.

Transactions Between Related Parties

The Company made related party payments to key management personnel and advisors. Those payments consisted of salary, benefits, and share-based payments. Total payments made in FY2022 were $1.3 million, compared to FY2021 payments of $0.9 million.

Off-Balance Sheet Arrangements

During the periods presented, the Company did not have, nor does the Company currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Financial Instruments and Risk Management

The Company's principal financial liabilities are comprised of accounts payable and accrued expenses, lease liabilities, loans payable, convertible promissory notes, redeemable preferred shares, warrants and contingent consideration. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to market risk, credit risk and liquidity risk. Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and responds to financial risks within the Company's operating units. Finance reports to the Board monthly.

Fair Value

The Company's financial liabilities include accounts payable and accrued expenses, lease liabilities, and loans payable. Accounts payable and accrued expenses, lease liabilities, and loans payable are subsequently measured at amortized cost.

Market Risk and Foreign Currency risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not materially exposed to credit risk from its operating activities and from its financing activities, since most of its revenue is generated at point-of-sale systems where cash is exchanged, or credit card payments are made. The Company's cash holdings and deposits are held in an A+ rating financial institution according to Standard & Poor's.

Liquidity Risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash of another financial asset.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Changes in Internal Control over Financial Reporting

There have been no material changes to internal control over financial reporting.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. The Company regularly evaluates MiniLuxe's estimates, and assumptions related to revenue recognition, accounts receivable, share-based transaction expense, and warrant liability. The Company bases estimates and assumption on current facts, historical experience and various other factors that the Company believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues, costs and expenses that are not readily apparent from other sources. The actual results experienced by MiniLuxe may differ materially and adversely from the Company's estimates. To the extent there are material differences between the Company's estimates and actual results, MiniLuxe's future results of operations will be affected. For a description of MiniLuxe's critical accounting estimates, please refer to Note 3, *Accounting policies,* in the Company's audited consolidated financial statements for the fiscal year ended January 1, 2023.

Significant Events

On August 16, 2022, the Company acquired a majority of the assets and liabilities of Paintbox LLC ("Paintbox") for total consideration of $1,730,081. Paintbox brings MiniLuxe a leading brand in premium nail art & design, proprietary IP in an iconic look-book, and 260K new social followers.

The following table summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition of Paintbox's assets. Goodwill arose in this acquisition as the transaction was determined to be a business combination in the scope of IFRS 3.

Assets Acquired:	
Cash and cash equivalents	$14,873
Inventory	$242,562
Property, plant, and equipment	$797,656
Other assets	$28,567
Right of use assets	$1,079,885
Tradename	$948,000
	$3,119,543
Liabilities Assumed:	
Current liabilities	($561,648)
Lease liabilities	($1,079,885)
	($1,641,533)
Consideration	$1,730,081
Goodwill	$260,073

The consideration consists of the following components:

Base equity consideration	$1,100,000
Contingent consideration – Indemnity Holdback	$185,267
Contingent consideration – Gift card Holdback	$85,741
Contingent consideration – Earn-out	$359,073
	$1,730,081

For more details, please see Note 24 in the Company's financial statements.

Subsequent Events

In January of 2023, the Company received a refundable payroll tax credit, the Employee Retention Credit, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $3,158,548.

The Employee Retention Credit is a government funded tax credit established by the United States federal government under the CARES Act to help eligible employer that presented a decline in business due to the COVID-19 pandemic and related shutdowns. The Company will recognize the entirety of the Employee Retention Credit as other income in Q1 2023.