

MINILUXE'S MD&A IN CONNECTION WITH THE FINANCIAL STATEMENTS OF MINILUXE FOR THE 13 WEEKS ENDED MARCH 27, 2022

DATED: MAY 24, 2022

This Management's Discussion and Analysis ("MD&A") for the thirteen weeks ended March 27, 2022 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 financial statements for the thirteen week period ended March 27, 2022 and related notes (the "Interim financial statements"), as well as the audited financial statements, related notes and MD&A for the fiscal year ended December 26, 2021. 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 May 24, 2022, 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 fiscal year, which ended on December 26, 2021, is referred to as "fiscal 2021", "FY21" or using similar words. The period of thirteen weeks ended March 27, 2022 is referred to as "Q1 2022" 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 International Financial Reporting Standards ("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; 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.

RTO Transaction

On November 23, 2021, MiniLuxe Inc. (“MiniLuxe”) 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.

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, and fair labour 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 Asian-American, Asian-Canadian, and other diverse members on its talent empowerment platform.

The Company is headquartered in Boston, Massachusetts and has 20 locations, 19 studios and 1 training center, across three major U.S. markets. At these locations, MiniLuxe-trained nail designers and waxing specialists perform high-quality nail care and waxing services. MiniLuxe also sells its own private-label line of cruelty-free, 8-free¹ nail and body care products, which can be purchased in-studio or via e-commerce.

Products and Services

MiniLuxe is a brand platform that consists of 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, hand and foot therapies, waxing and tweezing, brow and lash tinting, and in-studio sale of retail products consisting of MiniLuxe's proprietary line of self-care products and a limited selection of third-party products. Talent revenue is generated both on premises, at the MiniLuxe fleet of 19 studios and training center, and via partner channels. MiniLuxe talent operations run on fully digitized booking, personalization, and payment processes.

Product revenue is derived from the sale of MiniLuxe's proprietary line of self-care products sold both direct-to-consumer via MiniLuxe's e-commerce website and through various wholesale partners. MiniLuxe's proprietary product line includes nail polishes as well as hand and body care products.

MiniLuxe changed its presentation of revenue generated from the talent and product revenue streams in the financial statements to update the sale of retail products sold in talent operations. Retail product sales at the MiniLuxe fleet of studios are now reflected in Talent revenue (previously included in Product revenue). This change does not have any effect on revenue recognition principles utilized or total overall revenue recognized. This change has been reclassified in the comparative periods.

Across all of MiniLuxe's 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 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 products in MiniLuxe's proprietary line and all products used in MiniLuxe services are formulated to be sustainable, ethically-sourced, and 8-free.
- 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.

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

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 have disrupted many factors which affect the Company's operations and performance. The continued effect of both the virus and accompanying government responses will depend on future developments that are uncertain and cannot be predicted. In 2022, the Company is starting to see consumer demand normalize to pre-pandemic levels and is working towards expanded operating capacity in its studios. There remains opportunity for fixed cost leverage at the fleet level as the Company builds capacity back to pre-pandemic levels

MiniLuxe Brand

The MiniLuxe brand is synonymous with consistency, quality, and conscience. Clients can be assured of 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.

Omni-Platform Strategy

The Company's strategic roadmap involves delivery of MiniLuxe products and services across:

Talent Revenue

- Physical points of presence
- Digital

Product Revenue

- E-commerce
- Wholesale

Consumer Trends

The self-care market has benefited from the following trends: 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 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 meaningful. 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 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.

Seasonality

MiniLuxe's business is subject to seasonal variation in some markets. For example, in a pre-pandemic year such as 2019, 23% of Talent revenue occurred in Q1, 26% each in Q2 and Q3, and 25% 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 currently derives its revenue from one operating segment that consists of: 1) Talent revenue from operations at the fleet of 19 studios, training center and partner channels as well as the introduction of on-demand services, MiniLuxe Anywhere, and (2) Product revenue from sales of proprietary MiniLuxe products via direct-to-consumer e-commerce and wholesale.

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. 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 segment 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 segment primarily consists of the cost of purchasing MiniLuxe private label products directly from manufacturers, raw materials, and third-party products purchased at wholesale cost.

² See accounting policy and estimation process related to gift card breakage in Note 4 to the audited FY2021 annual financial statements.

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.

Outlook to Remainder of Fiscal 2022

Fiscal Q1 2022 results demonstrated meaningful growth over prior year levels with Q1 2022 Revenue at \$4.4M, +70% YoY, and Gross Profit of \$1.9M, +56% YoY. Further, Q1 2022 demonstrated period growth surpassing pre-pandemic Q1 2019 levels. Q1 2022 revenue was +10% to Q1 2019 on a like-for-like studio basis (pre-COVID comparable). Fleet adjusted EBITDA for Q1 2022 at \$66K, +120% from Q1 2021 of (\$332K). Fleet operations continue to improve with demand growth YoY and Q1 appointment counts surpassed peak season 2021. MiniLuxe relaunched its e-commerce website in Q1 2022 and saw 50% new customer growth on Q1 2021 while app downloads also saw strong growth due to revamped booking and purchasing experience on the MiniLuxe mobile app. These results were achieved in the context of operating with continued disruptions as a result of the pandemic and other external factors.

In 2022, all MiniLuxe markets are operating and open, and continuing the re-ramp to full operating hours as demand returns to and, in many cases, exceeds pre-pandemic levels. The business is seeing growth on a like-for-like basis compared with pre-pandemic performance and there remains opportunity to drive operational leverage within the existing infrastructure base and newly expanded channels.

Looking further into 2022, the Company anticipates demand growth to continue with the consumer allocating an increasing share of disposable income to self-care. Further, the flexibility of the MiniLuxe omni-channel platform places MiniLuxe in a strong competitive position in this ever-changing landscape.

In fiscal Q1 2022, MiniLuxe signed two lease agreements for new studios in Tampa, Florida, and St. Petersburg, Florida with anticipated opening dates late 2022.

Non-IFRS Measures

Adjusted EBITDA

Management believes Adjusted EBITDA most 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 depreciation under IFRS 16, asset disposal, and share-based compensation expense to IFRS operating income, then deducting straight-line rent expenses³ net of lease abatements. IFRS operating income is revenue less cost of sales (gross profit), additionally adjusted for general and administrative expenses, stock listing expense, 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 its fleet performance. 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 SG&A and finally subtracting the same straight line rent expense used in the full company Adjusted EBITDA (as the fleet holds all real estate leases). 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 thirteen weeks ended March 27, 2022 and March 28, 2021 and the fiscal year ended December 26, 2021. 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)for Fiscal Quarter ended

	March 27, <u>2022</u>	March 28, <u>2021</u>
<i>in thousands of U.S. dollars</i>		
Revenue	\$4,407	\$2,598
Cost of sales	2,498	1,372
Gross profit	\$1,909	\$1,226
General and administrative expense	3,647	2,216
Depreciation and amortization expense	763	790
Operating income (loss)	(\$2,501)	(\$1,780)
Finance costs	(349)	(613)
Finance income	-	1
Other income	164	-
Unrealized gain (loss)	-	(5,101)
Income (loss) before taxes	(\$2,685)	(\$7,493)
Income tax expenses	(25)	(5)
Net and comprehensive income (loss)	(\$2,710)	(\$7,498)
Full Company Adjusted EBITDA	(\$2,282)	(\$1,568)

Earnings per share

Common shares (basic)	(0.27)
Common shares (diluted)	(0.27)
Subordinate voting shares (basic)	(0.02)
Proportionate voting shares (basic)	(18.56)
Subordinate voting shares (diluted)	(0.02)
Proportionate voting shares (diluted)	(18.56)

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

	<u>for Fiscal Quarter ended</u>	
	March 27,	March 28,
<i>in thousands of U.S. dollars</i>	<u>2022</u>	<u>2021</u>
Operating Income	(2,501)	(1,780)
Right-of-Use Asset Depreciation Expense	320	375
Fixed Asset Depreciation Expense	444	414
Stock Compensation Expense	18	12
Straight Line Rent	(563)	(677)
Lease Abatements	-	87
Full Company Adjusted EBITDA	(2,282)	(1,568)

Reconciliation of Fleet Adjusted EBITDA to Talent Revenue

	<u>for Fiscal Quarter ended</u>	
	March 27,	March 28,
<i>in thousands of U.S. dollars</i>	<u>2022</u>	<u>2021</u>
Talent Revenue	4,342	2,535
Less: Non-Fleet Revenue	(24)	-
Talent Cost of Sales	(2,470)	(1,355)
Less: Non-Fleet Cost of Sales	55	-
Fleet SG&A	(1,274)	(922)
Fleet Straight Line Rent	(563)	(677)
Fleet Lease Abatements	-	87
Fleet Adjusted EBITDA	66	(332)

Balance Sheet

in thousands of U.S. dollars

	March 27, <u>2022</u>	December 26, <u>2021</u>
<u>Current assets</u>		
Cash and cash equivalents	15,438	19,120
Inventory	1,613	1,686
Prepaid expenses and other current assets	497	413
Total current assets	\$17,548	\$21,219
Total non-current assets	\$12,089	\$12,277
Total assets	29,637	33,496
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	2,613	3,575
Deferred revenue	1,297	1,376
Current portion of lease liability	1,401	1,384
Total current liabilities	\$5,311	\$6,335
Total non-current liabilities	\$7,825	\$7,967
Total liabilities	\$13,136	\$14,302
Total equity	\$16,501	\$19,194
Total liabilities and shareholders' equity	\$29,637	\$33,496

Results of Operations

Revenue

The following table breaks down total revenue by Talent and Product. The table reflects the reclassification of product revenue to talent revenue referenced in “Products and Services” made retroactively for the 13 weeks ended March 28, 2021.

	<u>for Fiscal Quarter ended</u>	
<i>in thousands of U.S. dollars</i>	March 27, <u>2022</u>	March 28, <u>2021</u>
Talent	\$4,342	\$2,535
Product	\$65	\$63
Total Revenue	\$4,407	\$2,598

Fiscal Q1 2022 compared to Fiscal Q1 2021

Revenues for Q1 2022 totaled \$4.4 million, up from \$2.6 million recognized in Q1 2021. This year-over-year increase was due to a rebound in Talent revenue as COVID-19 related capacity restrictions eased and consumer confidence returned. The Company was able to reopen certain physical locations that had previously been closed during Q1 2021 due to COVID-19 related government mandates.

The Company also saw improved revenue compared to pre-pandemic quarters, with an increase in Q1 2022 of \$0.4 million up from \$4.0 million recognized in Q1 2019, an 10% increase, on a like for like fleet basis.

Gross Margin

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

Gross profit and gross margin: <i>in thousands of U.S. dollars</i>	<u>for Fiscal Quarter ended</u>	
	March 27, <u>2022</u>	March 28, <u>2021</u>
Revenue	\$4,407	\$2,598
Cost of Sales	2,498	1,372
Gross Profit (\$)	<u>\$1,909</u>	<u>\$1,226</u>
Gross Margin (%)	43.3%	47.2%

The Company expects gross margin in future years to normalize to a level around 45% though it may fluctuate quarter-to-quarter due to a variety of factors, including the average prices and mix of MiniLuxe products and services.

Fiscal Q1 2022 compared to Fiscal Q1 2021

Gross margin for fiscal Q1 2022 was 43.3%, a 3.9% decrease from the previous year's level of 47.2%. The gross margin decrease in Q1 2022 was due to a change in the direct labor commission structure implemented mid-2021, intended to reward nail designers and waxing specialists for high productivity. Compared to a pre-pandemic quarter, gross margin of 43.3% in fiscal Q1 2022 increased from a gross margin of 35.9% in fiscal Q1 2019 on a like for like basis due to improved direct labor and materials management.

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:

<i>in thousands of U.S. dollars</i>	March 27, <u>2022</u>	March 28, <u>2021</u>
General and administrative expense (\$)	\$3,647	\$2,216
<i>General and administrative expense (% of Revenue)</i>	82.7%	85.3%

The year-over-year increase in total general and administrative expenses is driven by the resumption of operations after Q1 2021. In Q1 2021, MiniLuxe was operating with the government mandated capacity restrictions.. However, general and administrative expenses decreased as a percentage of revenue due to fixed cost leverage driven by higher revenue in Q1 2022.

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.

Fiscal Q1 2022 compared to Fiscal Q1 2021

Total operating expenses in fiscal Q1 2022 were \$4.4 million, a \$1.4 million increase from \$3 million in fiscal Q1 2021, and an increase relative to overall revenue. The majority of this year-over-year change resulted from the full operation of all studios in Q1 2022 compared to studio closures and government mandated capacity restrictions in Q1 2021.

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

Other Items

Fiscal Q1 2022 compared to Fiscal Q1 2021

Finance costs

Finance costs were \$348,905 and \$612,747 in Q1 2022 and Q1 2021, respectively. The amount represents interest expense related to real estate leases as accounted for under IFRS-16 as well as senior debt interest incurred. In Q1 2021, 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 Q1 2022.

Other income (loss)

Other income was \$164,222 in fiscal Q1 2022 due to amount received for 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 existing 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 Q4 2021. As such, there were no unrealized gains or losses recognized for fiscal quarter ended March 27, 2022 (Q1 2021- (\$5.1) million).

Adjusted EBITDA

Fiscal Q1 2022 compared to Fiscal Q1 2021

Adjusted EBITDA was (\$2.3) million in fiscal Q1 2022 compared with (\$1.6) million in fiscal Q1 2021. The year-over-year decrease is primarily attributable to an increase in the Company's SG&A due to planned growth initiatives. While there was a decrease in adjusted EBITDA by quarter, 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 \$66 thousand in fiscal Q1 2022 compared with (\$332) thousand in fiscal Q1 2021.

The fleet produced a gross margin of 44% and Adjusted EBITDA margin of 2% in Q1 2022, compared with a gross margin of 47% and Adjusted EBITDA margin of -13% in Q1 2021. The improvement in 2022 is due to more efficient operations (better management of direct and indirect costs), and increased consumer demand. All studios in the fleet were open (albeit at reduced operating hours compared to pre) for the duration of Q1 2022, which resulted in a significant improvement compared to Q1 2021.

Summary of Quarterly Results

After a strong start to Q1 2020, MiniLuxe closed its fleet of studios on March 17, 2020, due to the COVID-19 pandemic. Subsequently, the majority of studios remained closed through Q2 2020. Operations started to reopen with government mandated capacity restrictions partly through Q2 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 at reduced operating hours compared to pre-pandemic levels. Studios continue to be fully operational with reduced operating hours in Q2 2022.

In thousands of US dollars

Description	March 27, 2022 \$	Dec 26, 2021 \$	Sep 26, 2021 \$	June 27, 2021 \$	Mar 28, 2021 \$	Dec 27, 2020 \$	Sep 27, 2020 \$	June 28, 2020 \$
<i>Revenue</i>	\$4,407	\$5,160	\$4,748	\$4,176	\$2,598	2,989	\$2,605	\$647
<i>Gross Profit</i>	\$1,909	2,385	2,243	2,312	1,226	1,154	1,107	344
<i>Net loss for the period</i>								
<i>Total</i>	(2,710)	(27,088)	(5,156)	(14,692)	(7,498)	(8,909)	(8,514)	16,196
<i>Per Share (basic)</i>			(0.18)	(0.52)	(0.27)	(0.77)	(1.46)	16.12
<i>Per Share (diluted)</i>			(0.18)	(0.52)	(0.07)	(0.08)	(1.46)	(0.04)
<i>Subordinate (basic)</i>	(0.02)	(0.37)						
<i>Proportionate (basic)</i>	(18.56)	(371.37)						
<i>Subordinate (diluted)</i>	(0.02)	(0.37)						
<i>Proportionate (diluted)</i>	(18.56)	(371.37)						

The change in net loss across the eight quarters shown 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 March 27, 2022, the Company's cash and cash equivalents totaled \$15.4 million, a decrease of \$3.7 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, cash spent on general and administrative expenses, and cash spent on 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 \$2.7 million to \$12.2 million as of March 27, 2022 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 for the first quarter of 2022.

<i>in thousands of U.S. dollars</i>	<u>as at</u>	
	March 27, <u>2022</u>	December 26, <u>2021</u>
Current assets	17,548	21,219
Current liabilities	5,311	6,335
Working capital	\$12,237	\$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: <i>in thousands of U.S. dollars</i>	<u>for Fiscal Quarter ended</u>	
	March 27, <u>2022</u>	March 28, <u>2021</u>
Operating activities	(3,044)	(1,500)
Investing activities	(236)	(22)
Financing activities	(402)	(130)
Net inflows (outflows)	(3,682)	(\$1,652)

Cash Flows Used in Operating Activities

Cash flows from operating activities consist of MiniLuxe's net profit (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.

Fiscal Q1 2022 compared to Fiscal Q1 2021

During fiscal Q1 2022, the net cash flow from operating activities was (\$3.0) million compared to (\$1.5) million in fiscal Q1 2021. This additional outflow is driven by an increase in operating expenses incurred as a result of full studio openings in Q1 2022 compared to restricted operations in Q1 2021.

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.

Fiscal Q1 2022 compared to Q1 Fiscal 2022

Net cash outflows from investing activities for fiscal Q1 2022 were (\$236,313) and are attributable to cash payments for fixed asset additions. This was an increase in outflows from the (\$22,396) recorded in fiscal Q1 2021.

Cash Flows from Financing Activities

Fiscal Q1 2022 compared to Fiscal Q1 2021

Net cash flow from financing activities for fiscal Q1 2022 was (\$401,603), which compares to (\$130,294) in fiscal Q1 2021. The net outflows are attributable to lease payments and repayments of loan payable balance.

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 10 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 fiscal Q1 2022 were \$264,924, compared to fiscal Q1 2021 payments of \$199,741.

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 payables and accrued expenses, and lease liabilities. 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 December 26, 2021.