MINILUXE'S MD&A IN CONNECTION WITH THE FINANCIAL STATEMENTS OF MINILUXE FOR THE 13 WEEKS AND 26 WEEKS ENDED JUNE 26, 2022

DATED: AUGUST 22, 2022

This Management's Discussion and Analysis ("MD&A") for the thirteen and twenty-six weeks ended June 26, 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 and twenty-six week period ended June 26, 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 August 22, 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 twenty-six weeks ended June 26, 2022 is referred to as "H1 2022" or using similar words. The period of thirteen weeks ended June 26, 2022 is referred to as "Q2 2022" or using similar wording.

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, 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 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, clean, better for you[1] 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 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.

[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.

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 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 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. In Q3 2022, MiniLuxe announced the acquisition of Paintbox. Paintbox brings MiniLuxe their leading brand in premium nail art & design, proprietary IP in their iconic look-book, and 260K new social followers. Please see *Subsequent Events* for more details.

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.

Q2 and H1 2022 Business Highlights

Fiscal Q2 2022 and H1 2022 results demonstrated meaningful growth over prior years. Q2 2022 revenue was +31% YoY at $5.5M with gross profit of $2.5M, +8% YoY. On a same like-for-like store basis and time period, this represented a record quarter. Gross margin for fiscal Q2 2022 was 45.4%, a 10% decrease from the previous year's level of 55.4%. The YoY gross margin decrease was due to two factors: a) June 2021's margin benefitted from a price lift ahead of the commensurate increased direct labor compensation, b) new strategic staffing incentive programs being tested and utilized in Q2 2022 which resulted in a meaningful increase in weekly staffed hours.

Fiscal H1 2022 revenue was +46% YoY at $9.9M with gross profit of $4.4M, +24% YoY. Further, Q2 2022 and H1 2022 demonstrated period growth surpassing pre-pandemic Q2 2019 and H1 2019 levels. Q2 2022 revenue was +12% to Q2 2019 on a like-for-like studio basis (pre-COVID comparable). H1 2022 revenue was +10% to H1 2019 on a like-for-like studio basis (pre-COVID comparable).

The company continues to concentrate on achieving high quality revenue. Predictability is key, as demonstrated by MiniLuxe's high repeat customer rate of 75% quarter over quarter for studio visits and growing sales of pre-paid service packages. Additionally, the company is adding and innovating on product and service offerings to drive average order value and gross margins. New market and channel expansion continue to diversify the company's revenue stream.

MiniLuxe remains focused on talent acquisition and retention efforts. Holding a strong position as both an employer and empowerment platform of choice for nail care and waxing specialist talent continues to be a central and critical KPI for management. Several talent acquisition and retention initiatives were put in place during Q2 that yielded positive results. Accelerated hiring (supported by new recruitment incentives and more targeted marketing efforts) coupled with higher earning potential from peak day shift incentives and voluntary overtime hours increased staffed hours. Fleet weekly staffed hours ended Q2 averaging 9K+ hours, 20% growth on prior year levels and averaging 6% monthly growth since January 2022. This combined with increasing demand grew Q2 weekly appointment counts by 18% YOY and 12% on 2021 Q4 holiday season averages. The company continues to experience demand that outstrips the level of supply available as demonstrated by 12% new fleet customer growth on Q1 2022.

Outlook to Remainder of Fiscal 2022

MiniLuxe continues to see meaningful demand recovery despite macro-economic factors including labor shortages, inflation, and supply chain delays (which will be continued risk factors that the company has mitigated to date). Several opportunities remain to drive operational leverage within the existing infrastructure base and newly expanded growth channels across talent and product revenue. The Company anticipates continued demand growth through the remainder of 2022 and into the peak holiday season. Further, the Company will continue to evaluate partnership opportunities, mergers, and acquisitions that are accretive to its brand, standards and digital platform. On an organic level, MiniLuxe is focused on highly targeted investments that have the highest probability of ROI impact and long-term value creation. Management sees these areas as including digital talent platform enhancements, accelerated growth initiatives and recruitment initiatives that can drive higher weekly staffed hours, expansion to new talent dense markets, and innovations and / or product acquisitions that can complement the existing proprietary product portfolio of self-care offerings.

As part of the owned-and-operated omni-channel base expansion, MiniLuxe signed two lease agreements in Q1 2022 for new studios in Tampa, Florida, and St. Petersburg, Florida with anticipated opening dates in early 2023. By expanding to the Florida market, MiniLuxe is entering the most talent dense state in the country, which will be leveraged to increase staffed hours and improve fleet contribution.

Through an asset purchase valuing subordinate voting shares in MiniLuxe Holding Corp. at a share price of USD $1.03 (CAD $1.34), MiniLuxe acquired the New York based Paintbox brand in Q3 of this year. Paintbox has been a pioneer and industry-leader in nail art and design with an iconic proprietary look and 260K social following. Through this acquisition, MiniLuxe will expand services to include premium nail art and design, accelerate product development, and leverage the brand's large social following and collaborative product relationships. Additionally, Paintbox will bring new content creation opportunities in across various aspects of nail care expertise that is anticipated to increase user engagement and overall industry credibility of the Company's expertise and standards.

While the product channel did not meet expectations during this period, there have been positive signals towards growth including a 240% increase in e-commerce traffic v. Q2 2021 and a robust 7% email conversion rate. The company is investing in website and social strategy optimization to capitalize on these positive metrics. Additionally, the company is focused on retail collaborations and M&A opportunities like Paintbox to drive brand awareness and development in product.

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 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 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 and twenty-six weeks ended June 26, 2022 and June 27, 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)

in thousands of U.S. dollars	*13 weeks ended* June 26, **2022**	June 27, **2021**	*26 weeks ended* June 26, **2022**	June 27, **2021**
Revenue	$5,486	$4,176	$9,893	$6,774
Cost of sales	2,997	1,864	5,494	3,236
Gross profit	$2,489	$2,312	4,399	$3,538
General and administrative expense	4,373	3,961	8,020	6,177
Depreciation and amortization expense	727	769	1,491	1,560
Operating income (loss)	($2,611)	($2,418)	(5,112)	($4,199)
Finance costs	(337)	(790)	(686)	(1,402)
Finance income	-	1	-	2
Other income	3	443	168	443
Unrealized gain (loss)	-	(11,907)	-	(17,008)
Income (loss) before taxes	($2,945)	($14,671)	(5,630)	(22,164)
Income tax expenses	(17)	(21)	(42)	(25)
Net and comprehensive income (loss)	**($2,962)**	**($14,692)**	**(5,672)**	**($22,189)**
Full Company Adjusted EBITDA	**($2,449)**	**(1,546)**	**($4,732)**	**(3,115)**
Earnings per share				
Common shares (basic)	-	(0.52)	-	(0.79)
Common shares (diluted)	-	(0.52)	-	(0.79)
Subordinate voting shares (basic)	(0.02)	-	(0.04)	-
Proportionate voting shares (basic)	(20.29)	-	(38.84)	-
Subordinate voting shares (diluted)	(0.02)	-	(0.04)	-
Proportionate voting shares (diluted)	(20.29)	-	(38.84)	-

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

	13 weeks ended		*26 weeks ended*	
	June 26,	June 27,	June 27,	June 27,
in thousands of U.S. dollars	**2022**	**2021**	**2021**	**2021**
Operating Income	(2,611)	(2,418)	(5,112)	(4,199)
Right-of-Use Asset Depreciation Expense	280	363	600	738
Fixed Asset Depreciation Expense	448	407	892	822
Disposals	-	439	-	439
Stock Compensation Expense	10	150	28	162
Straight Line Rent	(576)	(573)	(1,140)	(1,250)
Lease Abatements	-	86	-	173
Full Company Adjusted EBITDA	(2,449)	(1,546)	(4,732)	(3,115)

Reconciliation of Fleet Adjusted EBITDA to Talent Revenue

	13 weeks ended		*26 weeks ended*	
	June 26,	June 27,	June 26,	June 27,
in thousands of U.S. dollars	**2022**	**2021**	**2022**	**2021**
Talent Revenue	5,433	4,069	9,775	6,604
Less: Non-Fleet Revenue	(56)	-	(79)	-
Talent Cost of Sales	(2,977)	(1,831)	(5,447)	(3,186)
Less: Non-Fleet Cost of Sales	49	-	104	-
Fleet SG&A	(1,363)	(1,172)	(2,638)	(2,094)
Fleet Straight Line Rent	(576)	(573)	(1,140)	(1,250)
Fleet Lease Abatements	-	86	-	173
Fleet Adjusted EBITDA	510	579	575	247

Balance Sheet

in thousands of U.S. dollars	June 26, **2022**	December 26, **2021**
Current assets		
Cash and cash equivalents	13,518	19,120
Inventory	1,580	1,686
Prepaid expenses and other current assets	641	413
Total current assets	$15,739	$21,219
Total non-current assets	$11,265	$12,277
Total assets	**27,004**	**33,496**
Current liabilities		
Accounts payable and accrued liabilities	3,313	3,575
Deferred revenue	1,385	1,376
Current portion of lease liability	1,398	1,384
Total current liabilities	$6,096	$6,335
Total non-current liabilities	$7,359	$7,967
Total liabilities	$13,455	$14,302
Total equity	$13,549	$19,194
Total liabilities and shareholders' equity	**$27,004**	**$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 and 26 weeks ended June 27, 2021.

	13 weeks ended		*26 weeks ended*	
in thousands of U.S. dollars	June 26, **2022**	June 27, **2021**	June 26, **2022**	June 27, **2021**
Talent	$5,433	$4,069	$9,775	$6,604
Product	$53	$107	$118	$170
Total Revenue	**$5,486**	**$4,176**	**$9,893**	**$6,774**

Fiscal H1 2022 compared to Fiscal H1 2021

Revenues for H1 2022 totaled $9.9 million, up 46% from $6.8 million recognized in H1 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 H1 2021 due to COVID-19 related government mandates.

The Company also saw improved like-for-like fleet revenue compared to pre-pandemic quarters, with an increase in H1 2022 of $0.9 million up from $8.8 million recognized in H1 2019, a 10% increase.

Fiscal Q2 2022 compared to Fiscal Q2 2021

Revenues for Q2 2022 totaled $5.5 million, up from $4.2 million recognized in Q2 2021. This year-over-year increase reflects an increase in consumer demand in the fleet, with Talent revenue improving.

The Company also saw improved revenue compared to pre-pandemic quarters, with an increase in Q2 2022 of $0.6 million up from $4.8 million recognized in Q2 2019, a 12% 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:	*13 weeks ended*		*26 weeks ended*	
in thousands of U.S. dollars	June 26, **2022**	June 27, **2021**	June 26, **2022**	June 27, **2021**
Revenue	$5,486	$4,176	$9,893	$6,774
Cost of Sales	2,997	1,864	5,494	3,236
Gross Profit ($)	$2,489	2,312	4,399	3,538
Gross Margin (%)	*45.4%*	*55.4%*	*44.5%*	*52.2%*

Fiscal H1 2022 compared to Fiscal H1 2021

Gross margin for fiscal H1 2022 was 44.5%, a 7.8% decrease from the previous year's level of 52.2%. The gross margin decrease in H1 2022 is due largely to the previously mentioned strategic staffing incentives utilized to increase staffed hours. Compared to pre-pandemic levels, gross margin of 44.5% in fiscal H1 2022 was a meaningfully positive variance relative to gross margins of 38.9% in fiscal H1 2019.

H1 2022 is in line with long term gross margin targets of 45% in mature fleet studios, which currently represent the majority of the Company's revenue. There may be fluctuations in the gross margin during periods of growth investments.

Fiscal Q2 2022 compared to Fiscal Q2 2021

Gross margin for fiscal Q2 2022 was 45.4%, a 10% decrease from the previous year's level of 55.4% (reasons again due to new staffing initiatives and an aberration in the prior year quarter; see above H1 2022 commentary).

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:

	13 weeks ended		*26 weeks ended*	
in thousands of U.S. dollars	June 26, **2022**	June 27, **2021**	June 26, **2022**	June 27, **2021**
General and administrative expense ($)	$4,373	$3,961	$8,020	$6,177
General and administrative expense (% of Revenue)	*79.7%*	*94.8%*	*81.1%*	*91.2%*

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. Additionally, in Q2 2021, MiniLuxe was operating with government mandated capacity restrictions that resulted in reduced operating expenses.

While general and administrative expenses have increased year-over-year in terms of absolute dollars, there has been a decline as a percentage of revenue since a 2020 high of 95%. Q1 2022 G&A was at 83% of revenue, and by Q2 2022 G&A had declined to 80% of revenue. Operating G&A (excluding non-cash and one-time expenses) is 78% of revenue for Q2 2022, down from 82% 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 H1 2022 compared to Fiscal H1 2021

Total operating expenses in fiscal H1 2022 were $9.5 million, a $1.8 million increase from $7.7 million in fiscal H1 2021, and an increase relative to overall revenue. The majority of this year-over-year change resulted from the resumption of normal operating activity in H1 2022 compared to studio closures and government mandated capacity restrictions in H1 2021.

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.

Fiscal Q2 2022 compared to Fiscal Q2 2021

Total operating expenses in fiscal Q2 2022 were $5.1 million, a $0.4 million increase from $4.7 million in fiscal Q2 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 Q2 2022 compared to a prior time period of studio closures and government mandated capacity restrictions in Q2 2021.

Other Items

Fiscal H1 2022 compared to Fiscal H1 2021

Finance costs

Finance costs were $0.7 million and $1.4 million in H1 2022 and H1 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 H1 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 H1 2022.

Other income (loss)

Other income was $168K in fiscal H1 2022, which represents foreign exchange gains and amounts received for Employee Retention Credits compared to $443K from a gain on the modification of real estate leases.

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 Q4 2021. As such, there were no unrealized gains or losses recognized for fiscal half year ended June 26, 2022 (H1 2021- ($17.0) million).

Other Items

Fiscal Q2 2022 compared to Fiscal Q2 2021

Finance costs

Finance costs were $337K and $790K in Q2 2022 and Q2 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 Q2 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 Q2 2022.

Other income (loss)

Other income was $3K in fiscal Q2 2022, which represents foreign exchange gains compared to $443K from a gain on the modification of real estate leases.

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 Q4 2021. As such, there were no unrealized gains or losses recognized for fiscal quarter ended June 26, 2022 (Q2 2021- ($11.9) million).

Adjusted EBITDA

Fiscal H1 2022 compared to Fiscal H1 2021

Adjusted EBITDA was ($4.7) million in fiscal H1 2022 compared with ($3.1) million in fiscal H1 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 $575K in fiscal H1 2022 compared with $247Kin fiscal H1 2021.

The fleet produced an Adjusted EBITDA margin of 6% in H1 2022, compared with an Adjusted EBITDA margin of 4% in H1 2021. 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 H1 2022, which resulted in a significant improvement compared to H1 2021.

Fiscal Q2 2022 compared to Fiscal Q2 2021

Adjusted EBITDA was ($2.4) million in fiscal Q2 2022 compared with ($1.5) million in fiscal Q2 2021. The year-over-year decrease was 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 $510K in fiscal Q2 2022 compared with $579K in fiscal Q1 2021.

This decrease is attributable to the previously mentioned incentives implemented to increase staffed hours. Additionally, Q2 2021 benefitted from COVID-19 related rent concessions. Fleet Adjusted EBITDA of $510Kis a $444K increase from Q1 2022 of $66K.

The fleet produced a gross margin of 46% and Adjusted EBITDA margin of 9% in Q2 2022, compared with a gross margin of 55% and Adjusted EBITDA margin of 14% in Q2 2021. The decrease in Adjusted EBITDA margin is due to significant rent abatements received in 2021 as a result of the COVID-19 pandemic. All studios in the fleet were open (albeit at reduced operating hours compared to pre-pandemic) for the duration of Q2 2022, which resulted in a significant improvement compared to Q2 2021 and Q1 2022.

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 Q2 2022. MiniLuxe has seen performance improve through the first half of 2022, with increased staffed hours and appointment counts.

In thousands of US dollars

Description	June 26, 2022 $	March 27, 2022 $	Dec 26, 2021 $	Sep 26, 2021 $	June 27, 2021 $	Mar 28, 2021 $	Dec 27, 2020 $	Sep 27, 2020 $
Revenue	5,486	4,407	5,160	4,748	4,176	2,598	2,989	2,605
Gross Profit	2,489	1,909	2,385	2,243	2,312	1,226	1,154	1,107
Net loss for the period								
Total	(2,962)	(2,710)	(27,088)	(5,156)	(14,692)	(7,498)	(8,909)	(8,514)
Per Share (basic)				(0.18)	(0.52)	(0.27)	(0.77)	(1.46)
Per Share (diluted)				(0.18)	(0.52)	(0.07)	(0.08)	(1.46)
Subordinate (basic)	(0.02)	(0.02)	(0.37)					
Proportionate (basic)	(20.29)	(18.56)	(371.37)					
Subordinate (diluted)	(0.02)	(0.02)	(0.37)					
Proportionate (diluted)	(20.29)	(18.56)	(371.37)					

The change in net loss across the six quarters from Q3 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 June 26, 2022, the Company's cash and cash equivalents totaled $13.5 million, a decrease of $5.6 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 $5.2 million to $9.6 million as of June 26, 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 half of 2022.

	as at	
in thousands of U.S. dollars	June 26,	December 26,
	2022	2021
Current assets	15,739	21,219
Current liabilities	6,096	6,335
Working capital	**$9,643**	**$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:	*for the 26 weeks ended*	
in thousands of U.S. dollars	June 26,	June 27,
	2022	2021
Operating activities	(4,406)	(3,361)
Investing activities	(423)	(184)
Financing activities	(773)	6,722
Net inflows (outflows)	**(5,602)**	**($3,177)**

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.

During fiscal H1 2022, the net cash flow from operating activities was ($4.4) million compared to ($3.4) million in fiscal H1 2021. This additional outflow is driven by a re-ramping of operating expenses as capacity and demand returned post-COVID. A corresponding increase of talent revenue of +$3.2M and Fleet Adjusted EBITDA of +$328K over H1 2021 resulted from this additional investment.

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 fiscal H1 2022 were ($423K) and are attributable to cash payments for fixed asset and intangible additions. This was an increase in outflows from the ($184K) recorded in fiscal H1 2021. Approximately 75% of cash outflows for investing activities were for development and build-out of the digital platform, 15% for talent infrastructure, market expansions, and ML Anywhere, and 10% for existing fleet improvements.

Cash Flows from Financing Activities

Net cash flow from financing activities for fiscal H1 2022 was ($773K) which compares to $6.7M in fiscal H1 2021. The net outflows are attributable to lease payments and repayments of loan payable balance in H1 2022 and H1 2021, as well as inflows from issuance of convertible promissory notes in H1 2021.

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 H1 2022 were $528K, compared to fiscal H1 2021 payments of $405K. Total payments made in fiscal Q2 2022 were $264K compared to fiscal Q2 2021 payments of $205K.

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.

Subsequent Events

In August 2022, the Company acquired substantially all of the assets of Paintbox, an elevated nail care brand focused on premium nail art services, pursuant to the terms of an Asset Purchase Agreement, dated as of June 20, 2022 (the "APA") valuing subordinate voting shares in MiniLuxe Holding Corp. at a share price of USD $1.03 (CAD $1.34). Paintbox has strong brand presence (260K Instagram followers), a DTC business selling nail tools/polishes, and a studio in New York City. The purchase price includes a total of up to $3.6 million in consideration, comprised of $1.8 million in MiniLuxe stock, and up to $1.8 million in potential earnout (payable in cash and/or MiniLuxe stock, at MiniLuxe's sole discretion), in each case subject to the terms of the APA, including certain lockup restrictions on such stock. The payment of any of the potential earnout of $1.8 million will occur only upon the Paintbox business achieving certain revenue thresholds.