

# DAVIDsTEA

## Investor Presentation

January 2016

# Disclaimer

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This presentation contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this presentation, including statements regarding our strategy, future operations, future financial position, projected revenues, costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement contained in this presentation is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement.

Applicable risks and uncertainties include, among others, our ability to maintain and enhance our brand image, particularly in new markets, our ability to compete in the specialty tea and beverage markets; our ability to expand our operations; the seasonal nature of our business; changes in consumer trends and preferences; fluctuations in foreign currency exchange rates, including the U.S. dollar; and the risks identified under the heading “Risk Factors” in our prospectus dated June 4, 2015 pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and filed with the Securities and Exchange Commission, as well as the other information we file with the SEC. We caution investors not to place considerable reliance on the forward-looking statements contained in this presentation. You are encouraged to read our filings with the SEC, available at [www.sec.gov](http://www.sec.gov), for a discussion of these and other risks and uncertainties. The forward-looking statements in this presentation speak only as of the date of this document, and we undertake no obligation to update or revise any of these statements. Our business is subject to substantial risks and uncertainties, including those referenced above. Investors, potential investors, and others should give careful consideration to these risks and uncertainties. The forward-looking statements contained in this presentation reflect DAVIDsTEA’s current views with respect to future events, we assume no obligation to update any forward-looking statements except as required by applicable law.

Non-IFRS financial measures such as Adjusted EBITDA, adjusted net income, and adjusted EPS, as included in this presentation, are supplemental measures that are not calculated in accordance with International Financial Reporting Standards (“IFRS”). For reconciliations to the most directly comparable IFRS measures, see slides 38 and 39. Our non-IFRS financial measures have limitations as analytical and comparative tools and are unlikely to be comparable to non-IFRS measures provided by other companies. You should consider Adjusted EBITDA in addition to, and not as a substitute for, the Company’s net income (loss), net cash provided by operating, investing or financing activities, as well as other measures of financial performance and liquidity reported in accordance with IFRS.

# today's agenda and presenters

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## agenda

- ~ Introduction to DAVIDsTEA
- ~ Investment Highlights
- ~ Growth Strategy
- ~ Financial Overview
- ~ Q&A

## presenters

**Sylvain Toutant**  
*CEO & President*

**Luis Borgen**  
*Chief Financial Officer*

# reaffirming Q4 and fiscal 2015 guidance

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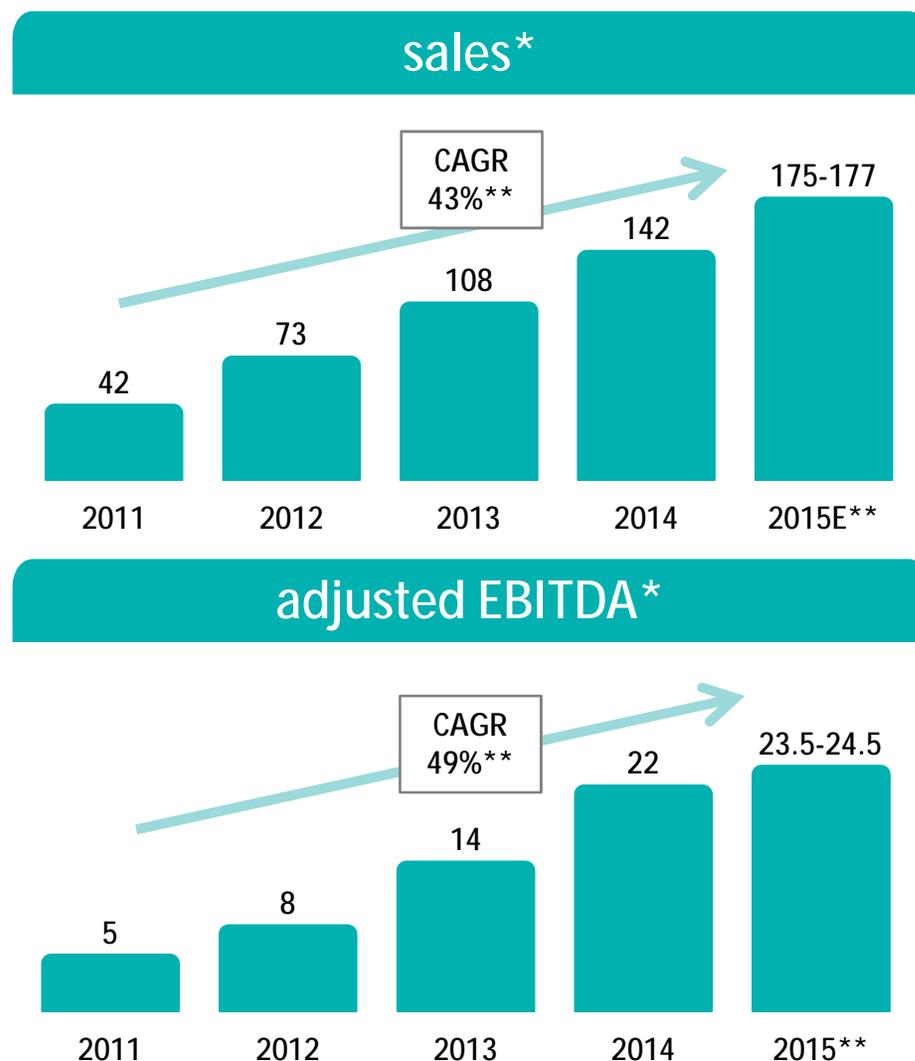
	Q415 guidance
Sales	C\$70.0m - C\$72.0m
Comp	Slightly above the MSD range
Adjusted EPS*	C\$0.42 - C\$0.44

	FY15 guidance
Sales	C\$175.0m - C\$177.0m
Comp	Slightly above the MSD range
Adjusted EPS*	C\$0.37 - C\$0.39

\*Adjusted fully diluted income per common share excludes IPO-related costs and other one-time costs

# a modern and accessible take on tea

- ~ Fast growing, modern tea brand offering innovative loose-leaf tea, tea accessories, and beverages
- ~ Broad consumer appeal
  - Health and wellness
  - Customization
- ~ Significant momentum
  - 25 consecutive quarters of positive comp sales growth through 3Q 2015
- ~ 193 stores in Canada and the United States (as of January 7, 2016)



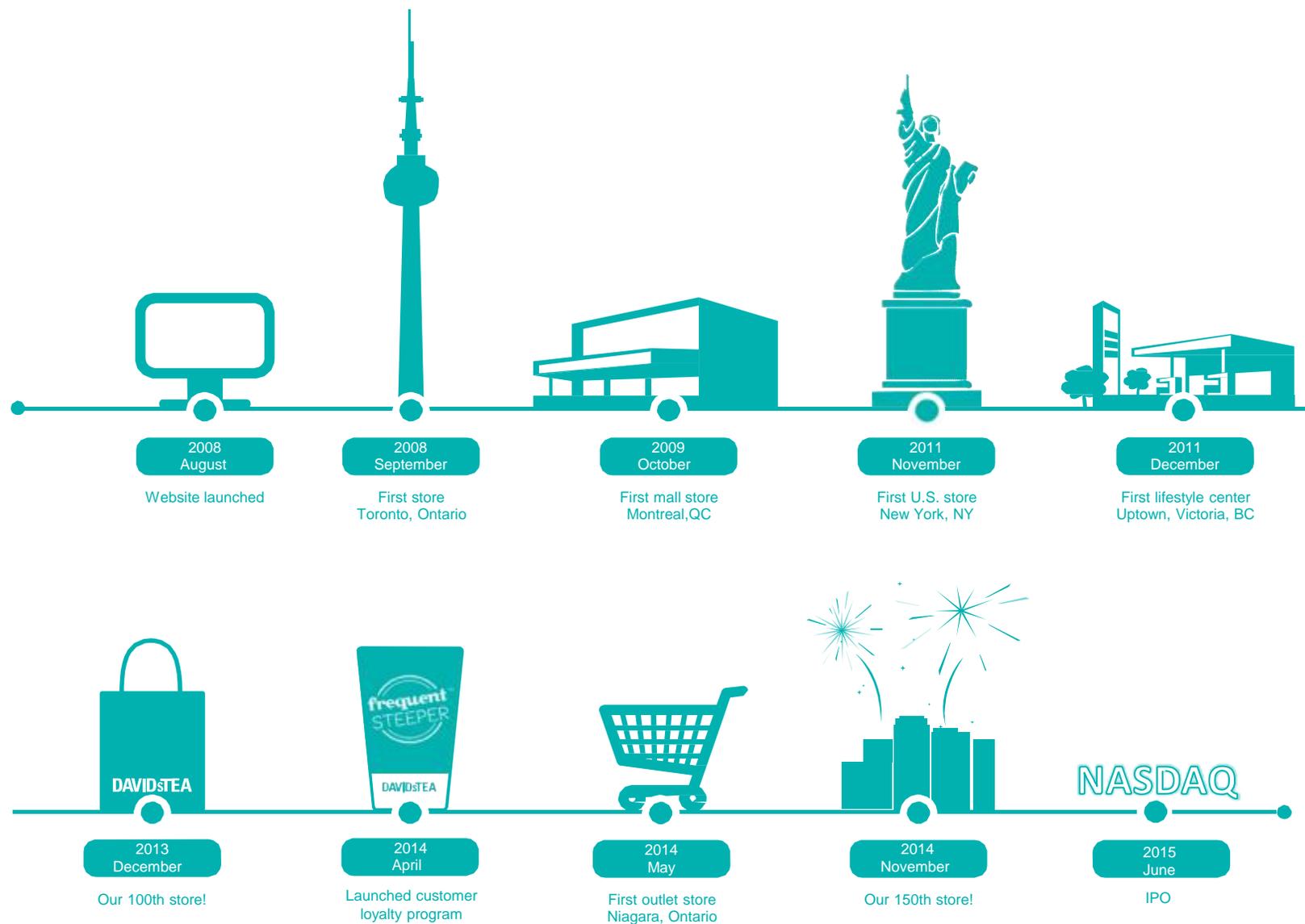
Financial data in CAD \$M

\* Sales and EBITDA figures for fiscal year end. For a reconciliation to the nearest IFRS measure, see slide 38.

\*\* 2015E reflects guidance provided on December 10, 2015. CAGR is calculated based on the midpoint of the relevant guidance ranges.

**DAVIDsTEA**

# our key milestones



# COMPETITIVE STRENGTHS

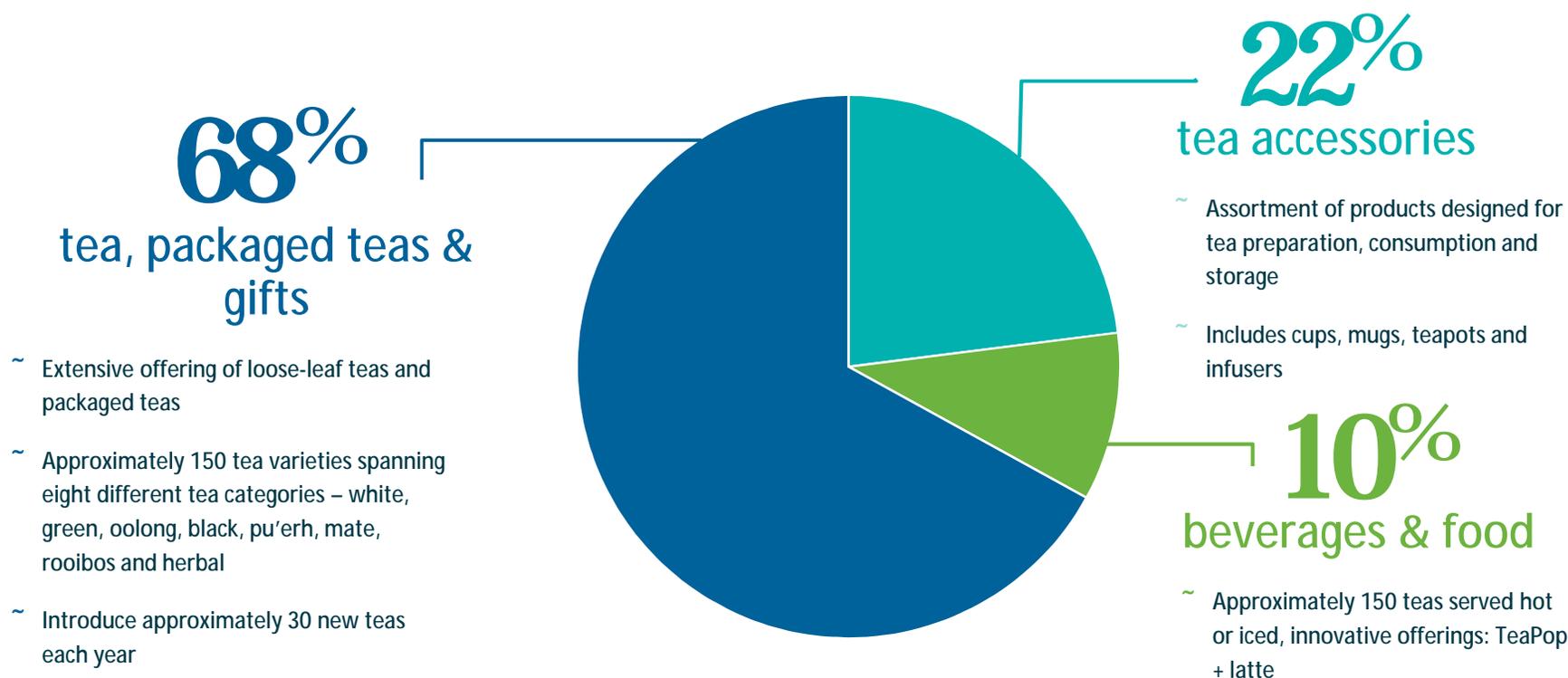
# competitive strengths

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- ~ Fast growing, modern brand reinventing the tea experience with a breadth of assortment, innovation and customer service
- ~ Distinct retail concept and broad demographic appeal reinforces brand and customer loyalty and supports sustainable long-term growth
- ~ Effective grassroots marketing strategy drives customer trial and engagement
- ~ Versatile store model with compelling economics
- ~ Multi-year new store growth opportunity in both Canada and the United States
- ~ Engaging eCommerce platform
- ~ Passionate, knowledgeable customer-focused culture supported by experienced management team



# breadth of unique tea products



Note: Percent of sales for 2014

# the DAVIDsTEA experience

our tea guides drive the DAVIDsTEA experience



ADVENTURE...  
EXPLORATION...  
KNOWLEDGE...  
PASSION for TEA

examples of our teas



Rooibos



Green Tea



Coconut



Pomegranate



Pink Peppercorn



Rose Hips



DAVIDsTEA

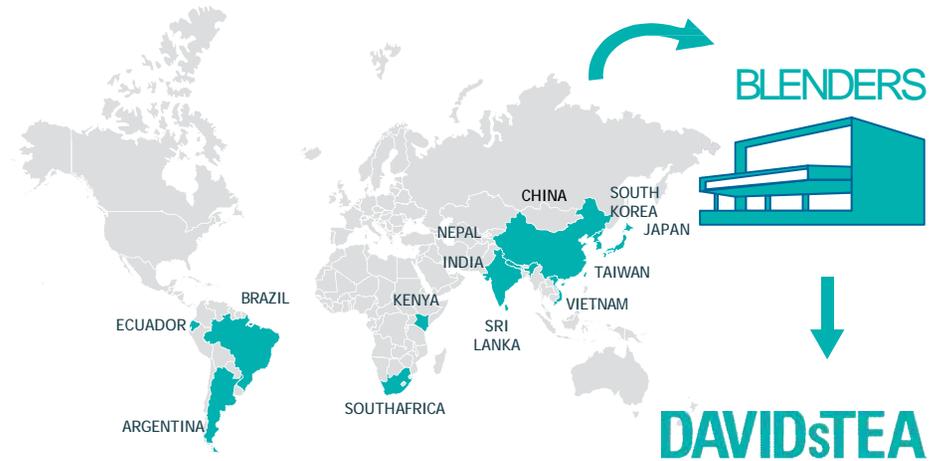
# our focus on innovation and design

## tea R&D



our research and development team works with our blenders to develop the special tea blends we sell on an exclusive basis

## sourcing our teas



## product design and innovation

### exclusive blends



### innovative tea prep



### in-house designs



**DAVIDsTEA**

# distinct retail concept with multiple formats



clean, modern aesthetic

our "Tea Wall" is the focal point of our stores



## store formats

mall



street



lifestyle

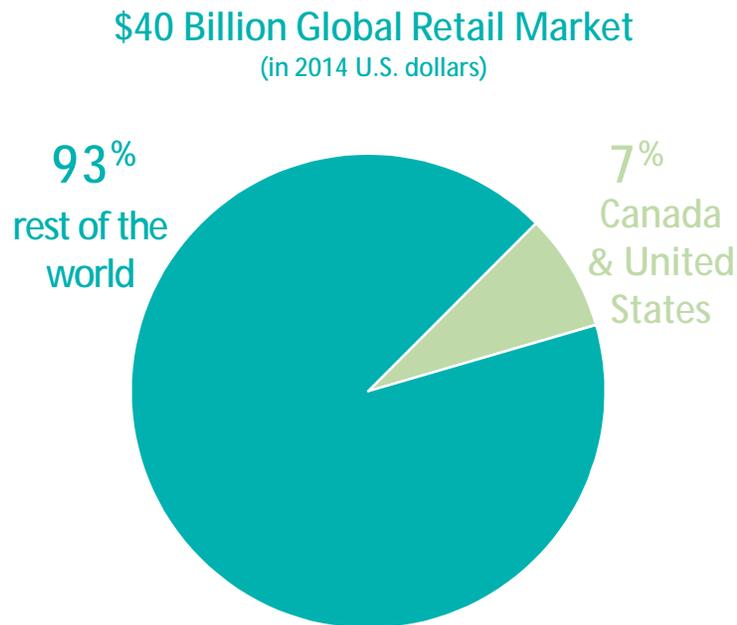


outlet



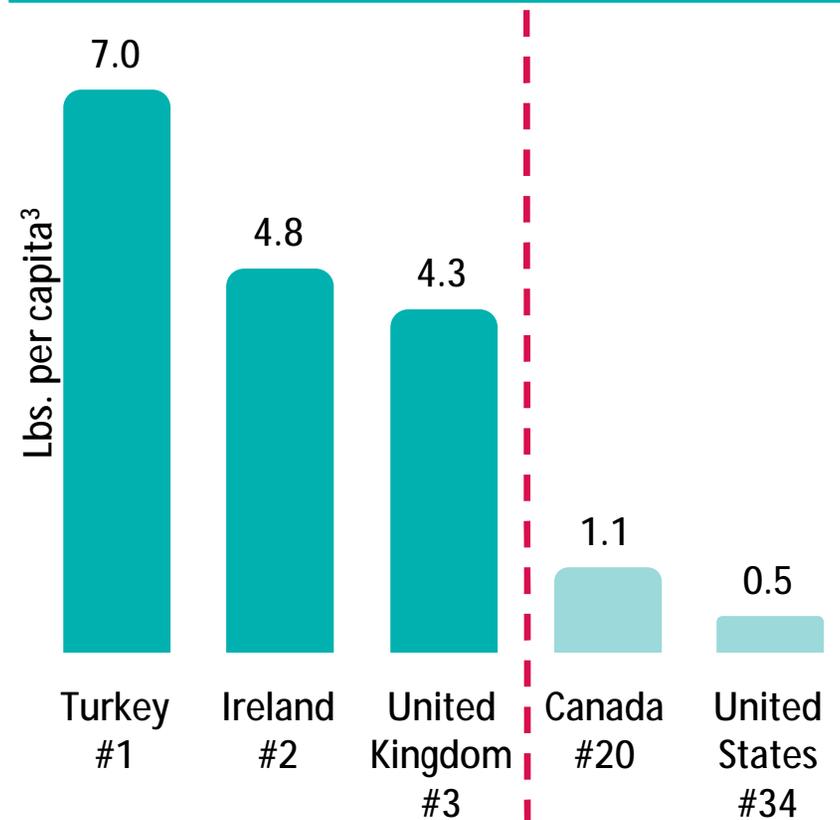
# positioned in an attractive industry...

the tea industry is large<sup>1</sup>...



*The global tea market is expected to grow at a CAGR of 7-8% from 2014 through 2018*

...with a growth opportunity in North America<sup>2</sup>



*Low per capita consumption in North America provides significant runway for growth*

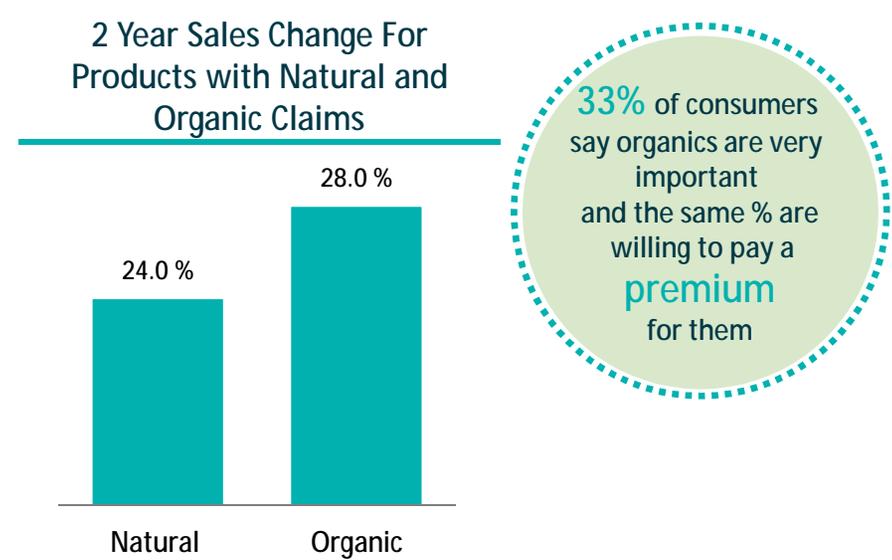
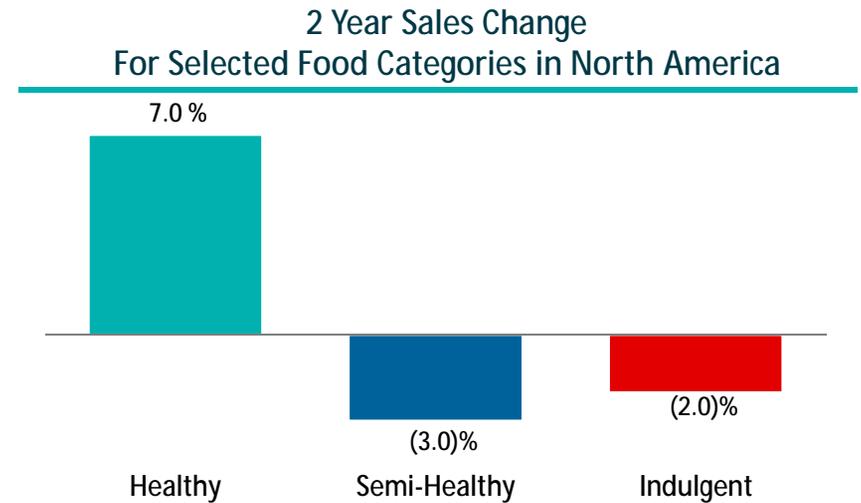
<sup>1</sup> Source: Euromonitor

<sup>2</sup> Source: World Tea News, The Economist

<sup>3</sup> One pound of tea can produce approximately 180 6oz cups of tea

# ...and benefitting from consumer trends with broad demographic appeal

- ~ Shift to healthier lifestyles
- ~ Demand for natural and organic products
- ~ Growing tea enthusiasm among millennials
- ~ Consumers willing to pay a premium for higher quality tea
- ~ Desire for customization



# our distinct community-based marketing approach

## Hyper-local Events



## Large-scale Events



2,000 events reaching 350,000 people<sup>1</sup>

- ~ OSHEAGA Music Festival (Montreal)
- ~ TIFF festivities (Toronto)
- ~ Wanderlust (Whistler, Mont-Tremblant)
- ~ Ghirardelli Chocolate Festival (San Francisco)
- ~ Snowboard Jamboree (Quebec)
- ~ PRIDE (Montreal, Toronto, Halifax, Vancouver)
- ~ Yoga for Hope (San Francisco)
- ~ SF Giants family day (San Francisco)
- ~ Boston Common Tree Lighting (Boston)
- ~ Remake (San Francisco)
- ~ Seawheeze Half Marathon (Vancouver)
- ~ Edmonton Fringe Festival (Edmonton)

<sup>1</sup>Last twelve months ended March 31, 2015.

# our loyal customer

## DAVIDsTEA super fan



## frequent steeper program

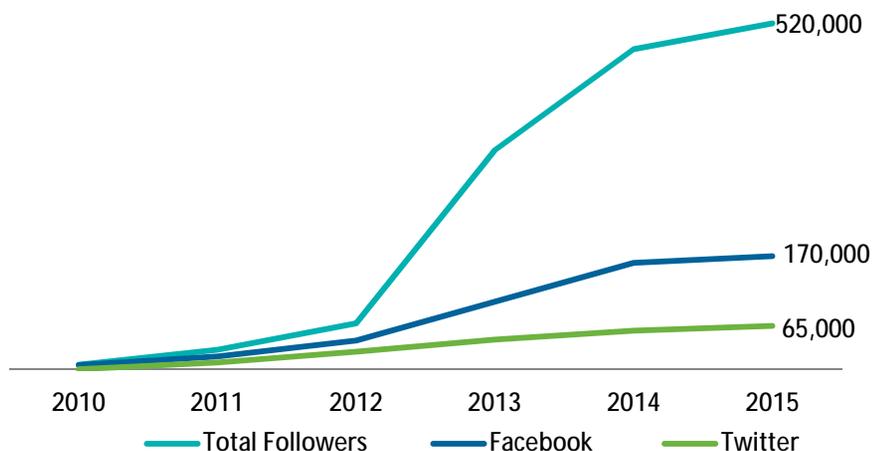
- ~ Customer loyalty program launched April 2014 across North America
- ~ Rewarding repeat purchases through a points-based program
- ~ Customers earn points with every purchase
- ~ ~80% of sales since launch are attributed to new or repeat Frequent Steepers
- ~ Over 1.8 million members<sup>1</sup> since launch



<sup>1</sup> As of October 31, 2015.

# strong social media awareness

## social media following



“Was reminded yesterday how good companies like @DAVIDsTEA are with their social media engagement #loyalcustomer”  
- @aviash

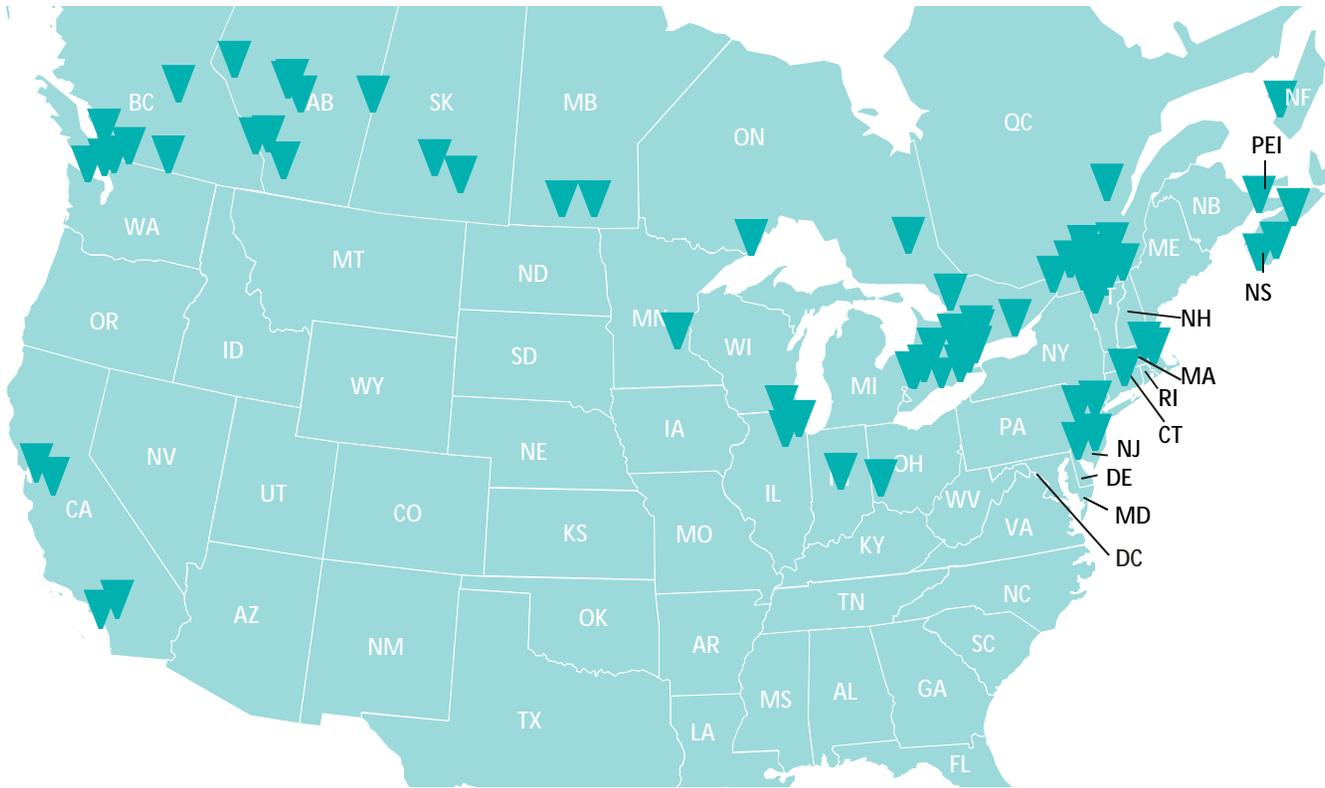
“@DAVIDsTEA Oh how I can’t stop thinking about how incredible your social media team is. Keep up the great work”  
- @shafpatel

	platform	followers
	Facebook	170,000
	Google +	135,000
	Instagram	85,000
	Twitter	65,000

total follower base: ~520k

# versatile store model with broad geographic reach

stores in all 10 Canadian provinces and 11 U.S. states



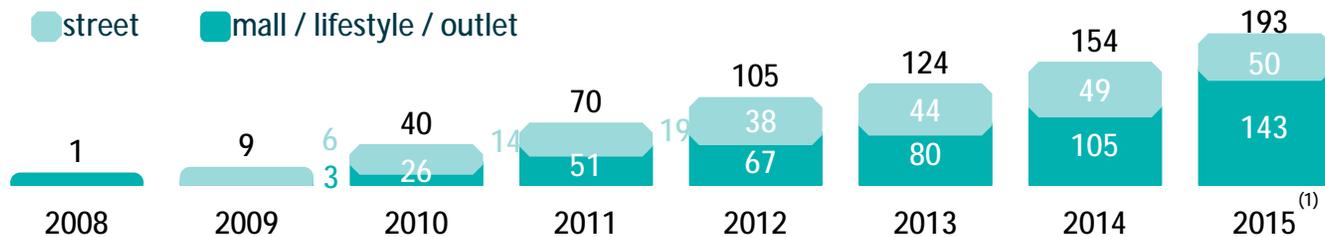
Canada <sup>1</sup>	
province	# of stores
Ontario	54
Quebec	36
British Columbia	27
Alberta	22
Manitoba	5
Nova Scotia	3
Saskatchewan	3
New Brunswick	3
Newfoundland	2
Prince Edward Island	1
<b>Total Canada Stores</b>	<b>156</b>

United States <sup>1</sup>	
state	# of stores
California	9
Massachusetts	7
New York	7
Illinois	6
Connecticut	2
New Jersey	1
Pennsylvania	1
Indiana	1
Minnesota	1
Ohio	1
Vermont	1
<b>Total US Stores</b>	<b>37</b>

## flexible real estate model

street

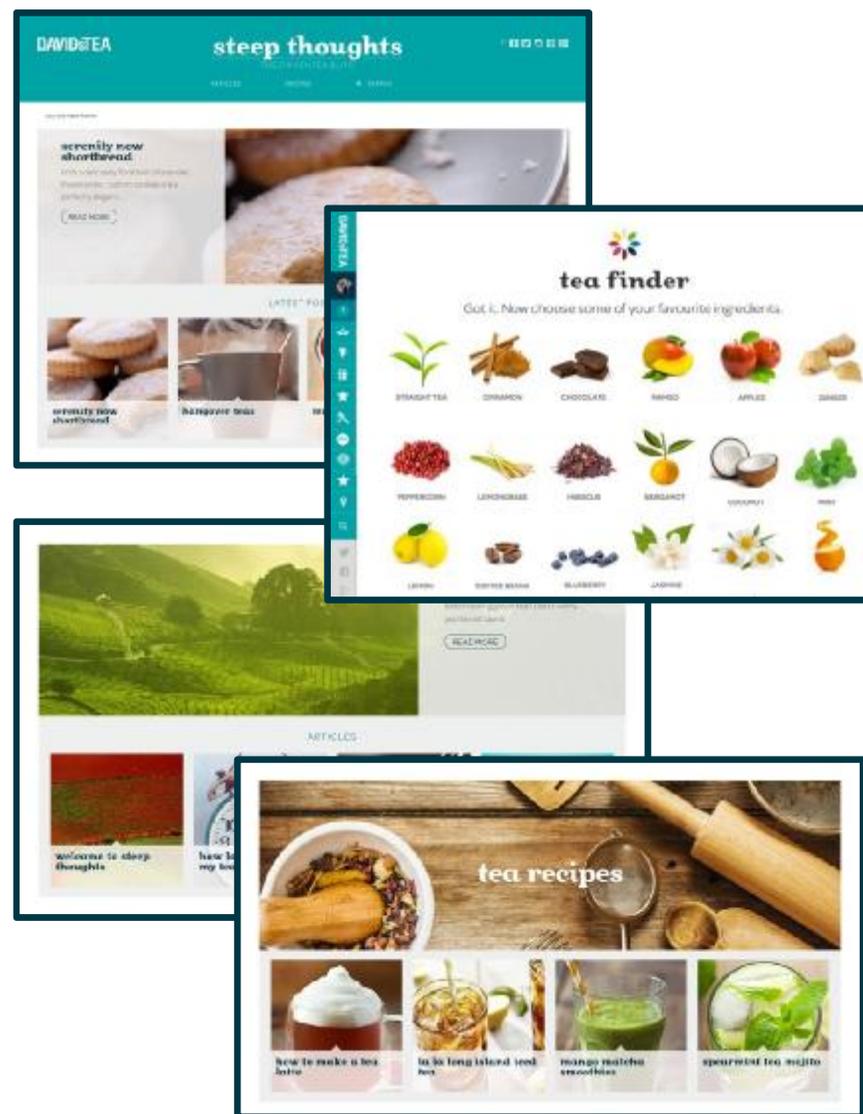
mall / lifestyle / outlet



<sup>1</sup> As of January 7, 2016.

# engaging eCommerce platform

- ~ DAVIDsTEA is a natural fit for eCommerce
  - Lightweight, easy-to-ship product
  - Encourages research
  - Facilitates online replenishment
  - Compelling and colorful content
- ~ Website blends product expertise, community and research tools
  - Shop by ingredient / Tea Finder
- ~ Strong synergies with stores, field marketing and social media
  - Cross channel marketing
  - Loyalty program
- ~ Long-term growth opportunity
  - eCommerce penetration grew from 2.7% of sales in 2010 to 7.9% in 2014
  - Long-term penetration target of +15%



# our core values supported by our experienced management team

name	title	selected experience / years in industry	favorite tea	
Sylvain Toutant	CEO & President	Keurig Green Mountain, Reno-Depot, SAQ	25 years	Jumpy Monkey
Luis Borgen	Chief Financial Officer	DaVita HealthCare Partners, Staples	16 years	Quangzhou Milk Oolong
Isabelle Grise	Chief Marketing and Merchandising Officer	President & CEO of Fruits & Passions and SVP of Marketing and Merchandising at LaSenza, a division of L- Brands	25 years	Glitter and Gold
David Segal	Co-founder and Brand Ambassador	Co-founder of DAVIDsTEA	10 years	Sencha Ashikubo
Doug Higginbotham	Head of Supply Chain	Yankee Candle	20 years	Main Squeeze
Marc Macdonald	Chief HR Officer	Home Depot, Keurig Green Mountain	15 years	North African Mint
Edmund Noonan	Head of Real Estate	Abercrombie & Fitch	20 years	Forever Nuts
Howard Tafler	Chief Accounting Officer	National Accounting Firm and CFO of privately held company	15 years	Vanilla Orchid

# GROWTH STRATEGY

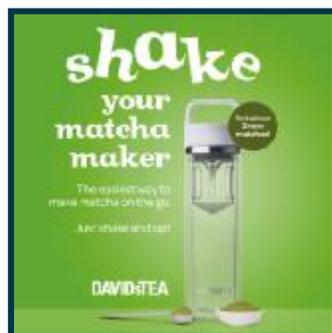
# our growth strategy

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- ~ Increase brand awareness
- ~ Grow our store base
- ~ Drive comparable sales, including eCommerce
- ~ Expand adjusted EBITDA margins

# increase brand awareness: community-based marketing

- ~ Build brand awareness and drive traffic through field-based marketing and customer engagement initiatives
  - Field Marketing and Hyper-Local Social Engagement
  - Social Media
  - Public Relations
- ~ Collaborate with our brand enthusiasts to co-create experiences online



#selftea

Want to shout your tea love from the rooftops? Say it with a #selftea.

Sip on your favourite DAVIDsTEA

Snap a pic of yourself and your tea

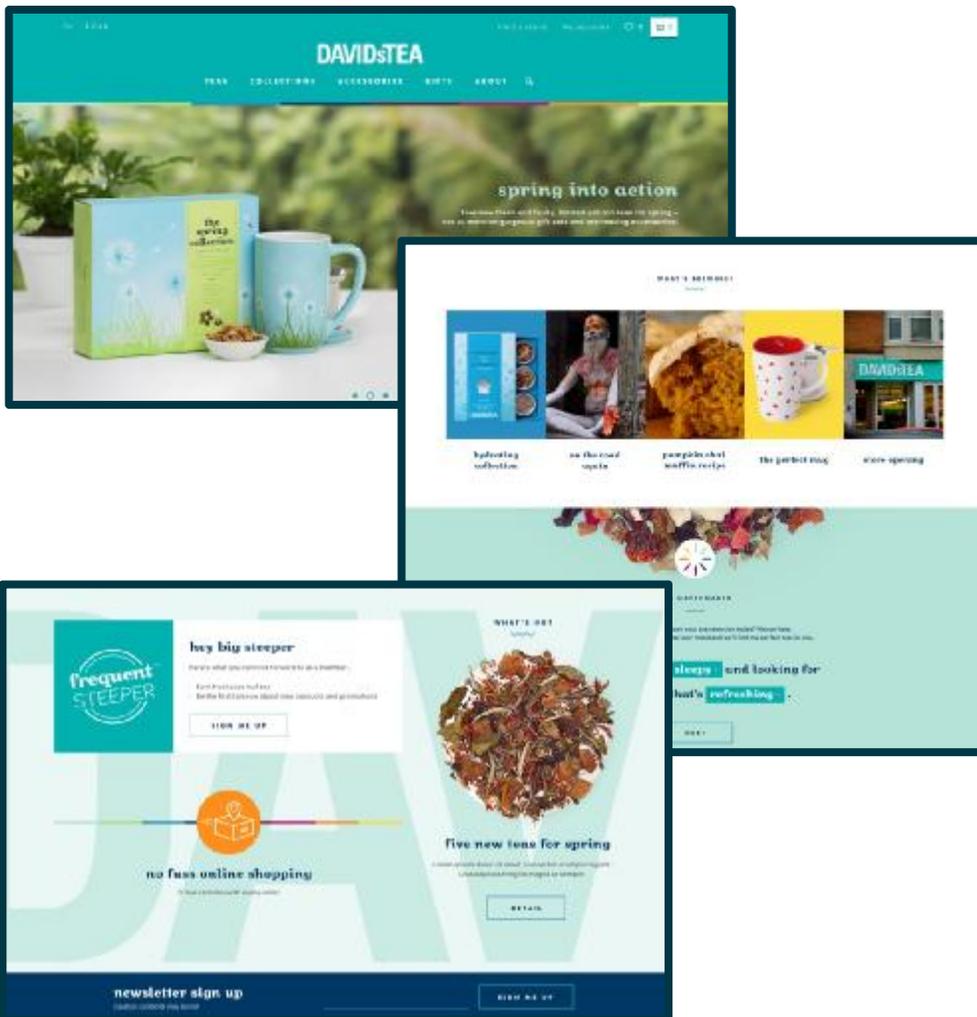
Share your pic on Instagram, Twitter and Facebook, using the #selftea tag

WIN amazing prizes all through October.



# increase brand awareness: enhanced eCommerce platform

*Launched our new website to allow customers to more easily discover new products, better connect with others, and get the most of our products 24/7*

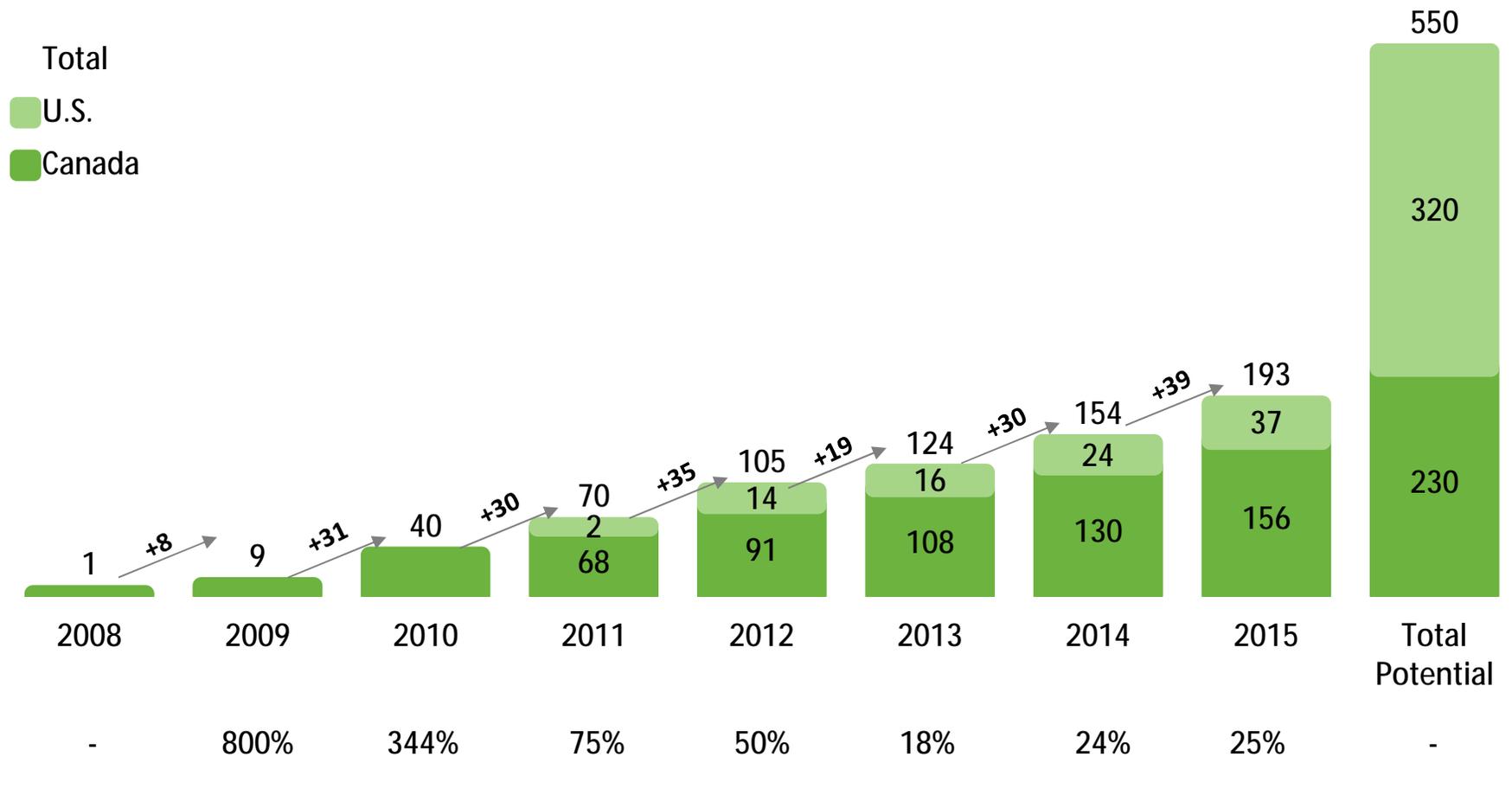


- Full integration with all systems (ERP, ESP, CRM) for improved programmability
- Open source compatibility to development tools allowing ability to evolve the platform to business and customer needs
- Full integration to Loyalty Program and personalized content and improved self-serve
- Improved site performance and stability
- Improved merchandizing and promotion rules
- Integrated user-generated content

# increase brand awareness: targeted retail expansion

opportunity to more than triple the store base

*potential for an additional ~75 stores in Canada and ~285 stores in the U.S.*



<sup>1</sup> Based on management's estimates and the model from Intalytics, a provider of real estate research and consulting services.

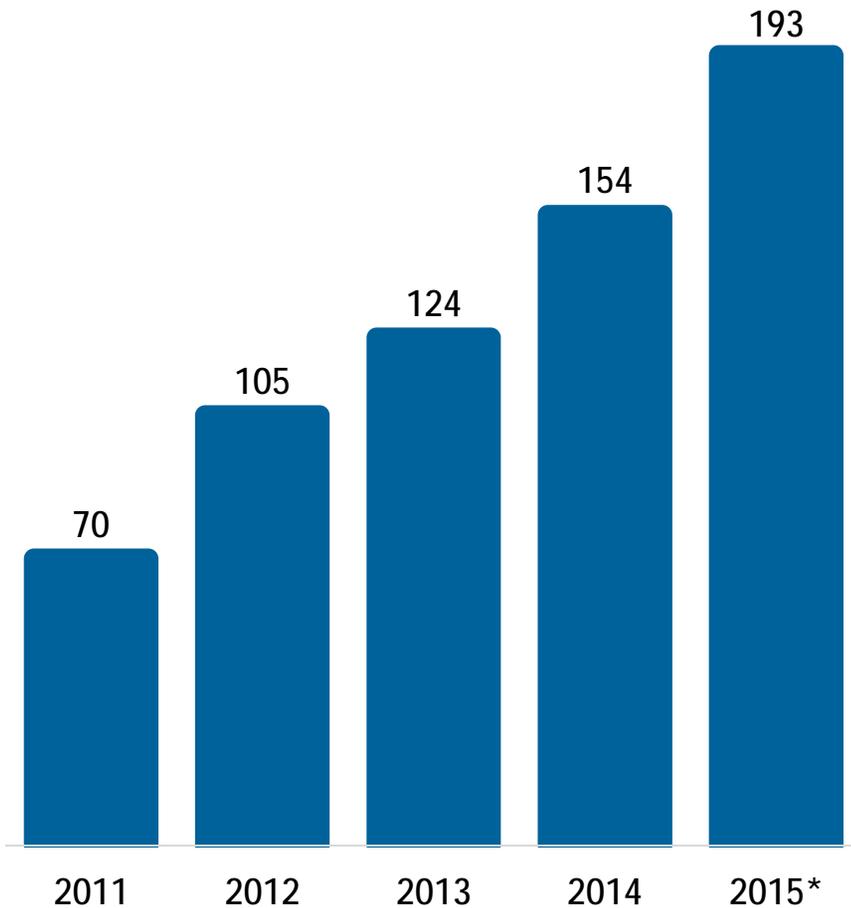
# increase brand awareness: Hotel, Restaurants and Institutions sector

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- | HRI sector is a large and growing Canadian market; Tea Association of Canada estimates the size at approximately 550 million cups annually.
- | Announced partnership with Air Canada in October 2015
  - *Forever Nuts* and *Cream of Earl Grey* teas now available for purchase on certain flights.
  - Marked our entry into the HRI sector.
- | Announced partnership with Le Germain and Alt Hotels across Canada in December 2015
  - A variety of DAVIDsTEA sachets served in our iconic 10-ounce teal cups are now available as part of the hotel's beverage service.
- | These partnerships are great opportunities to increase our brand visibility in North America.

# grow our store base

## store rollouts in North America



## robust real estate development process



\* Reflects fiscal 2015 store openings as of January 7, 2016.

# target new store model

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	Canada (in CAD \$K)	United States (in US \$K)
year 4 sales	~CAD \$750	~US \$780
year 4 adjusted EBITDA margin	28%	25%
capex	~CAD \$290	~US \$310
payback	~2 Years	~3 Years

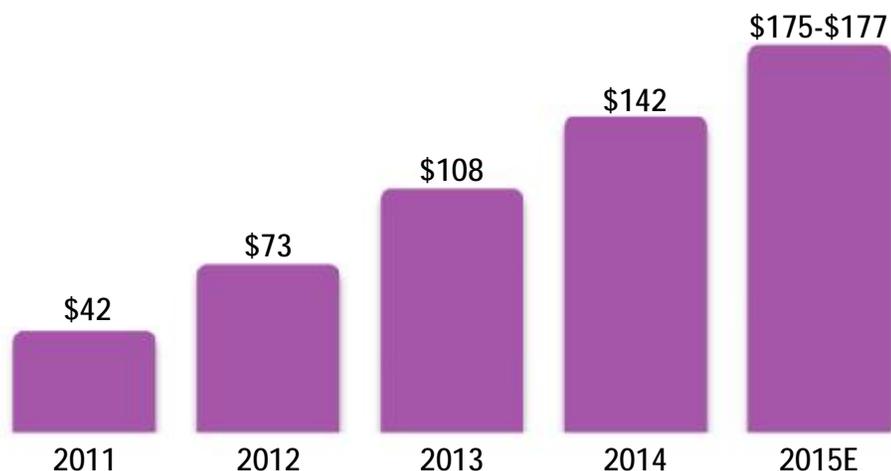
# U.S. expansion strategy

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- ~ Focus on sites with multiple traffic drivers
- ~ Emphasis on proven shopping destinations to build the brand
- ~ Move toward balanced portfolio of store formats (mall, street, lifestyle, outlet)
- ~ Clustering approach to achieve economies of scale; methodical new market entry
- ~ Disciplined approach on capex and occupancy costs
- ~ Expansion into HRI (hotels, restaurants, institutions) channel

# drive comparable sales growth

## sales



## comparable sales growth<sup>1</sup>

2011	2012	2013	2014	2015E
33%	27%	18%	11%	Slightly Above MSD

- Continue to introduce new and unique teas, tea accessories and beverages
- Continue to drive brand awareness via hyper-local events and public relations outreach
- Utilize Frequent Steeper program to attract new customers and encourage incremental sales from existing customers
- Increase eCommerce penetration through new website functionality and enhanced online engagement
- Fully leverage integrated store, eCommerce, PR and field-based marketing campaigns
- Continue to improve staff recruitment, training (tea certification), and retention to maintain distinctive service levels

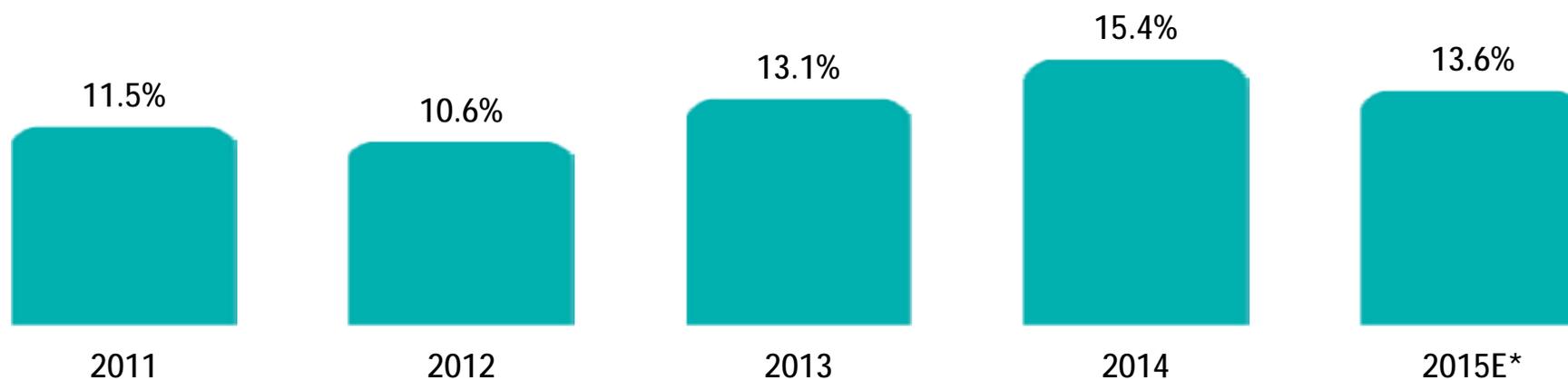
Data in CAD \$M

<sup>1</sup>Includes eCommerce

# expand adjusted EBITDA margins

## key drivers of margin expansion

- 1 gross profit leverage** ~ lower product costs and improve supply chain efficiencies
- 2 selling and G&A expenses** ~ improve operational efficiencies and capture scale savings
- 3 business mix** ~ increase eCommerce sales penetration

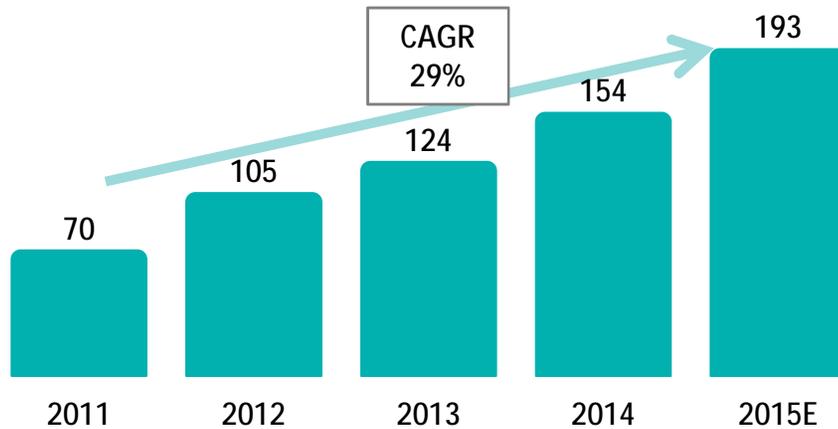


\*2015E reflects midpoint of guidance provided on December 10, 2015

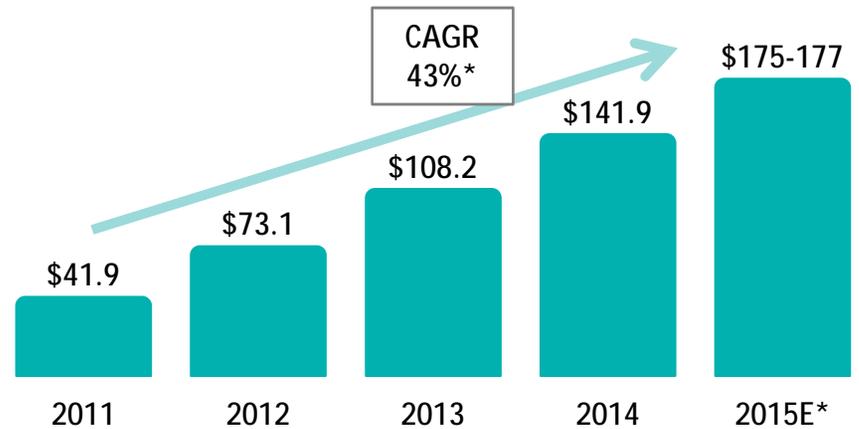
# FINANCIAL OVERVIEW

# financial history

## stores

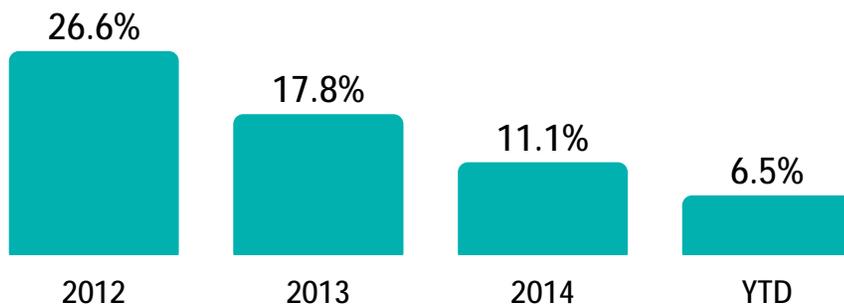


## sales

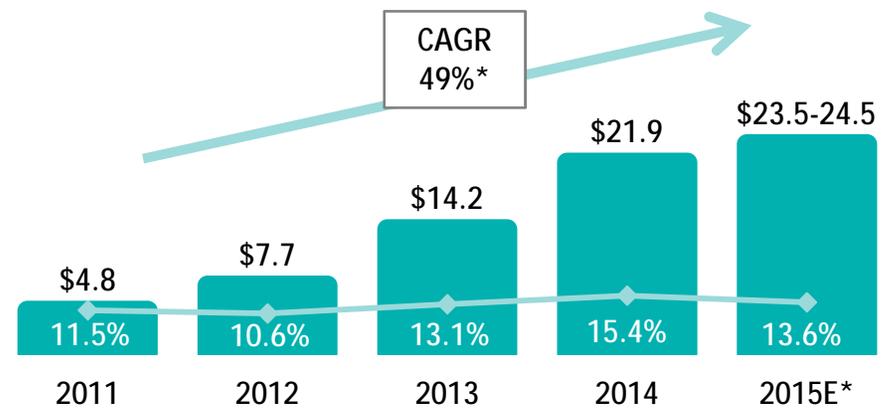


## comp sales growth

25 consecutive quarters of positive comp sales growth



## adjusted EBITDA<sup>1</sup>



Data in CAD \$M

\*2015E reflects guidance provided on December 10, 2015. CAGR and EBITDA margin are calculated based on the midpoint of the relevant guidance ranges.

1) For a reconciliation of adjusted EBITDA to net income, see slide 38.

DAVIDsTEA

# recent quarterly performance

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## Q3 2015 Results

# of stores

183 stores  
(+40 new stores vs Q3 2014)

revenue

\$36.3 million  
(+32% vs Q3 2014)

comparable sales

+ 6.3%  
(16.7% 2-year stack)

adjusted net loss<sup>1</sup>

(\$0.8 million)

adjusted EPS<sup>1</sup>

(\$0.03)

Data in CAD \$

DAVIDsTEA

34

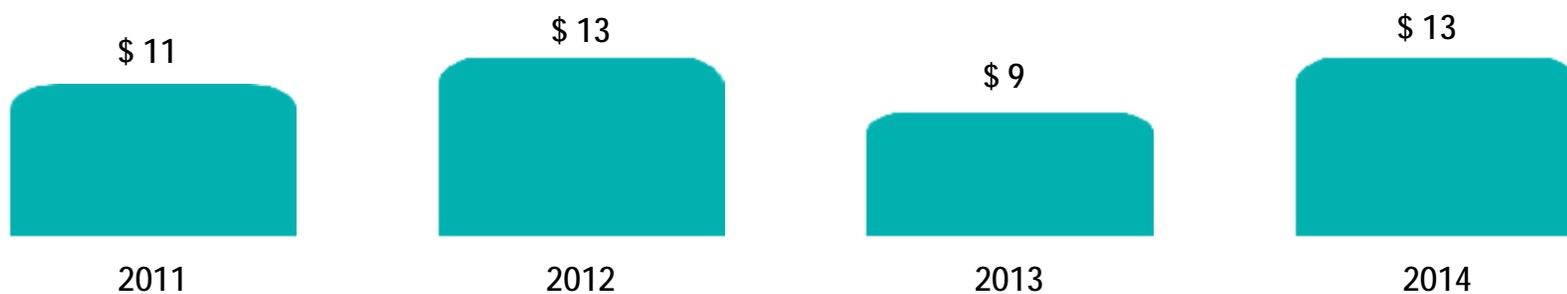
1) For a reconciliation of adjusted net loss and adjusted EPS to the nearest IFRS measure, see slide 39.

# operating cash flow and capital spend summary

## operating cash flow



## capital expenditures



# of new stores

30

35

20

31

# long-term growth targets

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sales growth

~20%

store unit growth

high teens

comp sales growth

low-to-mid single digits

adjusted EBITDA margin

high teens

net income growth

~25%

# APPENDIX

# adjusted EBITDA reconciliation

	2011	2012	2013	2014
Net Income (loss)	1,088	(4,354)	(6,164)	6,454
Finance costs	1,394	1,829	1,967	2,345
Finance income	-	-	(45)	(133)
Depreciation and amortization	1,693	3,180	4,745	5,447
Loss on disposal of property and equipment	-	-	-	31
Provision for income tax (recovery)	235	1,692	3,067	(333)
EBITDA	4,410	2,347	3,570	13,811
Stock-based compensation expense	-	237	228	947
Impairment of property and equipment	-	-	1,192	2,740
Onerous contracts	-	-	-	805
Deferred rent	423	769	660	802
Accretion of preferred shares	-	416	514	1,044
Loss from embedded derivatives on Series A, A-1, and A-2 preferred shares	-	3,960	8,058	380
IPO Costs	-	-	-	856
Settlement costs related to former option holder	-	-	-	520
Adjusted EBITDA	4,833	7,729	14,222	21,905
Adjusted EBITDA%	11.5%	10.6%	13.1%	15.4%
Growth%		59.9%	84.0%	54.0%

Data in CAD \$K

DAVIDsTEA

# adjusted net loss reconciliation

	For the three months ended		For the nine months ended	
	October 31, 2015	October 25, 2014	October 31, 2015	October 25, 2014 [Restated]
Net loss	(871)	(228)	(146,185)	(1,476)
Stock-based compensation expense for cashless exercise	-	-	4,052	-
Finance costs related to preferred shares	-	335	477	926
Impairment of property and equipment	-	1,301	-	1,301
Provision for onerous contracts	-	529	-	529
Loss on derivative financial instruments	164	-	-	-
Loss on disposal of property and equipment	-	-	292	-
Accretion of preferred shares	-	300	401	754
(Gain)/Loss from embedded derivative on Series A, A-1 and A-2 preferred shares	-	(3,855)	140,874	(3,693)
IPO related costs	-	35	-	35
Settlement costs related to former option holder	-	520	-	520
Income tax expense adjustment	(43)	(632)	(1,151)	(632)
<b>Adjusted net loss</b>	<b>(750)</b>	<b>(1,695)</b>	<b>(1,240)</b>	<b>(1,736)</b>
Weighted average number of shares outstanding, fully diluted	23,977,040	12,024,835	18,360,119	11,965,521
Adjustment for conversion of preferred shares Series A, A-1 and A-2	-	8,128,805	3,855,205	8,128,805
Initial public company share issuance	-	3,414,261	1,619,263	3,414,261
<b>Adjusted weighted average number of shares outstanding, fully diluted</b>	<b>23,977,040</b>	<b>23,567,901</b>	<b>23,834,587</b>	<b>23,508,587</b>
Earnings per share, fully diluted - as reported	(0.04)	(0.02)	(7.91)	(0.12)
<b>Adjusted earnings per share, fully diluted</b>	<b>(0.03)</b>	<b>(0.07)</b>	<b>(0.05)</b>	<b>(0.07)</b>