

Groupe Dynamite**Fourth Quarter and Fiscal 2025 Results Conference Call**

Event Date/Time: April 1, 2026 — 10:30 a.m. E.T.

Length: 61 minutes

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Groupe Dynamite Fourth Quarter and Fiscal 2025 Results Conference Call.

At this time, all lines are in listen-only mode, and the conference is being recorded. Following the presentation, we will conduct a question-and-answer session. We do ask that you please limit yourself to one question and then return to the queue. If at any time during this call you require needed assistance, please press star zero for the Operator.

I would like to turn the conference over to Alex Limosani, Manager, Investor Relations and Corporate Finance at Groupe Dynamite. Please go ahead.

Alex Limosani — Manager, Investor Relations and Corporate Finance, Groupe Dynamite

Thank you, and good morning, everyone.

Joining me on the call are Andrew Lutfy, Chief Executive Officer and Chair of the Board, Stacie Beaver, President and Chief Operating Officer, and JP Lachance, Chief Financial Officer.

This morning, Groupe Dynamite released its financial results for the 13 and 52-week periods ended January 31, 2026. The press release and related disclosure documents are available in the Investor section of our corporate website at groupedynamite.com and on SEDAR+. We will begin the call with short

remarks by Management, followed by a question-and-answer period with financial analysts only. A replay of this webcast will be available shortly after the conclusion of the call.

Before we begin, I would like to refer you to Slide 2 of our Q4 2025 investor presentation, also available in the investor section of our website, for a full statement on forward-looking information and to the presentation's appendix for your reconciliation of non-IFRS to IFRS financial measures.

I will now turn the call over to Andrew.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thanks, Alex, and good morning.

I'd like to welcome you, our valued participants. We know your time is precious, so thank you for prioritizing us in your busy schedules. As most of you know, Q4 marks a strong finish to what has been a defining year for Groupe Dynamite. Fiscal '25's performance was nothing short of exceptional. Notwithstanding a great number of challenges, most of which were outside our control, our performance truly exceeded expectations.

As we often say, first who, then what? Well, our agile GDI family, living our shared values, proved to be the right who's, delivering incredible results, proactively mitigating risk, and often enough, turning them into opportunities. As for the numbers, they speak for themselves. This was both a record Q4 and fiscal year, putting us in a class of our own. Q4's comparable brick and mortar sales were up 30.4 percent and 26.7 percent for the year. Q4's adjusted dividend margin was 36.6 percent, up a staggering 740 basis points. And for the year, 36.5, up 490 basis points.

Q4's gross margin was a healthy 63 percent, up 400 basis points, and 63.8 percent for the year, up a remarkable 100 basis points. One metric which is near and dear to our hearts, inventory turns, reached an astonishing 9.9 times. It's the singular metric that speaks volumes to taking the fashion risk out of fashion. Staying with numbers, we're also pleased to report, eight weeks into Q1, comparable brick and mortar sales are up 28 percent, same store sales.

But enough of the quantitative. In these tumultuous times, what is clear is we are delivering on emotion. The brand heat is real. Alex and Rachel are happy. Speaking of happy, pleased to report, our two best store openings in GDI history were recorded most recently with the opening of Garage Bluewater and our Garage flagship on Oxford Street. These two stores joined the U.K. e-commerce platform, which has been live since the beginning of February. It's very early days, but incredibly encouraging to see how obsessed this U.K. Alex is for her Garage. Allow me to make a big shout out to the teams who brought this all to life. Congratulations. You should be proud. You guys crushed it.

Et pour les Québécois parmi nous, moi, professionnellement, qui ai grandi à la place Versailles, je suis particulièrement fier d'avoir osé grand, d'avoir choisi le gros pain, d'avoir visé bien au-delà de ce qui semblait possible au départ. Ce fut un immense honneur de couper le ruban d'ouverture de notre magasin phare sur la rue Oxford Street à Londres, un moment marquant que j'ai tenu à partager avec mon équipe en français comme en anglais. Nous sommes un fleuron d'exportation fièrement québécois. Cela dit, une part importante de notre création de valeur repose sur l'ampleur et la croissance exceptionnelle de nos activités aux États-Unis, un marché que nous avons su conquérir avec discipline et ambition au cours des 20 dernières années. Mais il faut être lucide. Une économie performante ne peut prospérer sous un corps

trop lourd. Un gouvernement trop imposant finit par nuire à ceux qui créent la richesse. Pour bâtir de façon durablement, il faut un environnement qui favorise l'initiative, l'investissement et la croissance.

Pour être, l'anglais n'est pas une menace, c'est un levier, une richesse que nous permet justement d'exporter, de croître et de gagner sans perdre nos racines. Tout le monde mérite une chance au groupe européen.

That was what I would call a political message. Now, back to our regular programming. Let's talk about ownership culture, how to report all employees or shareholders through our Shared Success Program, with many also participating in our generous share purchase plan. That equity not only drives engagement, but creates an important alignment of business interests. Effectively, we're all rowing in the same direction. Still on the people front, once again, we've been recognized as one of Canada's top employers for young people and one of Montreal's top employers, two distinct awards.

From an investment standpoint, this was another record year of capital investment. Whether the opening of new stores or upgrading and relocating of existing ones, we have stayed true to our strategy of investing in top-tier assets while staying disciplined in closing stores, which did not elevate the brand. It's worth noting, the vast majority of stores we do close are in fact profitable. They're just not profitable enough and they create burdens on our teams and inventories.

As we look ahead, we remain disciplined and relentless in execution, while accelerating innovation at scale, including the continued strategic deployment of AI to drive performance, efficiency, and maintain our competitive advantage. We are confident in our ability to sustain clear, measurable leadership across

the metrics that define performance, which are revenue growth, Adjusted EBITDA, return on assets, and best-in-class inventory terms. Out performing both our direct and most luxury peers.

With that, let me hand it over to Stacie.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Thank you, Andrew, and good morning, everyone.

Fiscal 2025 was a strong year for the business and one we're really proud of. We entered the fiscal year focused on elevating how the brand shows up across every touchpoint, and we're seeing that translate into the performance across both Garage and Dynamite. We stayed focused in our approach, aligning product, storytelling, and the customer experience across digital and stores. When those elements combine together, we see a clear response from the customer, and that's what drove the business this year.

Before getting into each part of the business, I want to highlight the strength of our operating model. As you know, one of our key strengths is the agility of our supply chain, which allows us to read the business in real time and react quickly, to buy closer to demand, and to adjust our inventory in season. That flexibility allows us to reduce risk, stay relevant, and move with the customer as trends evolve. You see that reflected in our results with inventory turns reaching 9.85 times this year.

Now turning to our stores. Our store network continues to be the primary engine of new customer acquisition and growth. For the full year, we achieved \$952 in sales per square foot. This productivity reflects our disciplined real estate strategy as we continue to prioritize higher quality locations where

footfall is stronger and our brands sit alongside premium and luxury peers. The U.S. remains a key growth driver for us with 20 stores open this year in high quality locations that maximize our visibility. Examples including Somerset Collection in Troy, Michigan, which opened in May, and Oakbrook Center in Chicago, which opened in December.

At the same time, we renovated and relocated 13 stores within existing malls, upgrading them into higher quality spaces. This included a relocated Garage and a new Dynamite 3.0 concept at West Edmonton Mall in Alberta, along with two additional Dynamite 3.0 locations at Promenade St. Bruno and Carrefour Laval here in Quebec.

On the digital side, we're pleased to see e-commerce grow 44.2 percent in fiscal 2025, with penetration reaching nearly 19 percent. This performance was supported by continued investments in our platform and capabilities, including the rollout of our headless architecture on mobile app, a new refreshed navigation on web, and progress on personalization across multiple touch points, all improving speed, flexibility, and the overall customer experience.

At the same time, we see meaningful opportunities ahead as we continue to scale. This includes continuing leveraging AI to drive more personalized experience and conversion, further integrating the community and socials into this experience, and building on the early momentum we're seeing from our U.K. store launch. Over the long-term, we remain focused on increasing e-commerce penetration towards 25 percent of total sales, as digital continues to play a central role in how we tell our brand story and engage with our customers.

Another key fiscal 2025 initiative to highlight is our U.S. Distribution Center. We continue to ramp up in line with our plans, strengthening service levels for our U.S. customers, while also adding important redundancy to our supply chain. From a brand perspective, we truly raised the bar this year in generating what we call brand heat. More specifically, we stayed close to culture and our community to create hyper-relevant products and campaigns.

This includes our Sour Cherry colour drop in July and Perky Plum drop in August, which featured influencer Hallie Batchelor, among others throughout the year. This resulted in us more than doubling our media impressions for the full year. This momentum translated into strong customer growth with our total active customer base up meaningfully to last year, driven by both strong new customers and returning customers, both in frequency and in spend, increasing double digits year-over-year.

Now, a couple of words on Q4 performance specifically before JP dives into the numbers. Customer demand remained strong, supported by relevant product and clear brand messaging. We saw continued AUR growth with stable unit per transaction, reflecting both product relevance and discipline pricing. In stores, comparable store sales were up 30.4 percent, driven by growth in both AUR and traffic, with price contributing a slightly larger share.

On digital, sales grew 63.3 percent in Q4, with penetration reaching 25.5 percent, driven by higher traffic and conversion as we continue to enhance the customer experience. Furthermore, the heat behind our brands continued to build. Per Garage, our community-led storytelling reached new heights with the Midnight Blue, Teal Tease, and Mint Julep colour drops. These drops and brand moments drove significant top-of-funnel reach and reinforcing our fleece category as a top flying driver.

For Dynamite, Q4 was driven by the strength of our Hotel Dynamite Holiday campaign, featuring Elsa Hosk, which firmly positioned the brand as a destination for holiday dressing, particularly in dresses. This campaign resonated strongly with customers, reinforcing our authority in social life wear and contributing to strong engagement and sell-through.

The growth in our brands reflects the discipline and focus across our teams. We exit the year with a proven and improved playbook and the confidence to continue scaling our impact and deepening our customer relationships.

As we look ahead to 2026, we're focused on execution and continued elevation of our brands across every touchpoint. As Andrew mentioned, the dedication of our teams grounded in our core values is what drives these results. I want to echo his gratitude to our 6,000-plus field associates and our head office teams for their agility and passion. They are the embodiment of our culture, and their commitment is our greatest competitive edge. With the foundation we've built, we are poised to take our performance even higher.

With that, I'll turn it over to JP to walk through the financials.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Thank you, Stacie, and good morning, everyone.

Total revenue for Q4 2025 increased by 45 percent, to \$394.2 million, driven by strong retail performance, including comparable store sales growth of 30.4 percent, alongside contributions from new

store openings. For the full year, comparable store sales growth landed at 26.7 percent, consistent with our prior guidance.

Staying on top line, we were very pleased to see online revenue increase 63.3 percent to \$100.6 million, with penetration expanding by 280 basis points year-over-year in Q4 to 25.5 percent. We remain focused on advancing our digital initiatives to support sustained growth and progress toward our medium to long-term target of 25 percent online penetration, while maintaining or improving the profitability of the ecom channel.

Gross profit for Q4 increased by 54.9 percent to \$248.3 million, with gross margin expanding 400 basis points to a record 63 percent for a fourth quarter. This performance reflects the strength of our pricing strategy, disciplined inventory management, and lower markdowns.

Turning to expenses, SG&A for Q4 2025 increased by 21.6 percent to \$105.8 million, primarily driven by the Company's growing scale in activities, as well as increased marketing investments to support brand awareness. Administrative expenses declined year-over-year, benefiting from lower IPO-related costs and stock-based compensation versus last year. As a percentage of sales, adjusted SG&A decreased by 340 basis points to 26.2 percent, reflecting strong operating leverage.

Moving down the P&L, operating income increased by 128.8 percent to \$116 million. Adjusted EBITDA grew by 81.6 percent to \$144.4 million, representing a margin of 36.6 percent, up 740 basis points year-over-year, driven by both gross margin expansion and SG&A leverage, underscoring the scalability of our luxury-inspired business model and placing our margins in line with some of the world's leading luxury houses.

For the full year, Adjusted EBITDA margin landed at 36.5 percent, also consistent with our most recent guidance. Net earnings increased significantly, supported by higher revenue and profitability, with adjusted net earnings up more than 120 percent year-over-year to reach \$81.6 million.

Turning to cash flow, we generated strong free cash flow of \$101.5 million in Q4, nearly doubling year-over-year, reflecting higher earnings, partially offset by increased capital expenditures. For the full year, we generated free cash flow of \$335.2 million, more than doubling year-over-year, while CapEx totaled \$85.5 million, also in line with our most recent guidance range.

From a balance sheet perspective, net leverage improved to 0.83 turns, reflecting strong EBITDA growth. We ended the year with over \$82 million in cash and \$312 million available under our credit facilities, providing significant financial flexibility.

We also continued to deliver strong capital efficiency. Return on assets reached 36.2 percent, up from 26 percent last year, reflecting improved profitability and more effective use of our asset base. Return on capital employed increased to an impressive 70.3 percent, compared to 47.4 percent in the prior year, driven by strong growth in operating income relative to the more measured increase in capital employed. Together, these metrics highlight the strength of our model in our disciplined approach to deploying capital.

Turning to capital allocation. During fiscal 2025, we repurchased approximately 883,000 shares at an average price of \$39.28 for a total of \$34.7 million. We continue to view share repurchases as an efficient use of capital to return cash to shareholders, and we remain bullish on the underlying fundamentals of GRGD as we continue to execute our strategy with discipline. As of this morning, we have

repurchased over 1.2 million shares under the NCIB, representing approximately 94 percent completion of our 2025/2026 program. Looking ahead to fiscal 2026, we are introducing guidance reflecting continued strong momentum across the business.

From a real estate perspective, we expect to open 24 to 26 gross new stores, including five locations in the U.K., representing 10 to 12 net new openings as we expect to close approximately 14 stores during the year. Most of these openings will be under the Garage banner in the U.S., where we continue to see significant runway for growth. We continue to target approximately 350 stores by fiscal 2028 with potential upside as we see strong performance across all regions in which we operate.

We expect comparable store sales growth of 11 percent to 14 percent and total revenue growth of 22 percent to 25 percent. Our comparable store sales outlook reflects strong year-to-date performance coupled with our strategy of growing AUR at approximately twice the rate of inflation, as well as positive traffic trends driven by the continued premiumization of our store portfolio, as we believe higher quality real estate will continue to concentrate footfall. In addition, we expect online revenue to continue outpacing brick and mortar growth while contributions from new store openings further support total revenue growth.

From a margin perspective, we expect Adjusted EBITDA margin expansion leading to a range of 37.75 percent to 39.25 percent. As a reminder, the first half of fiscal 2025 was impacted by elevated tariff rates of 145 percent on imports from China. These major headwinds have fully flowed through our P&L and given our best-in-class inventory turns, which amounted to 9.85 turns for fiscal 25, were no longer impacting our business as of Q3 2025. As a result, the first half of fiscal 2026 presents a more favorable

comparison period supporting our outlook for margin expansion year-over-year. In addition, as our U.S. distribution center ramps towards full capacity, we expect incremental efficiencies to further support margins.

Turning to capital expenditures, we expect CapEx of \$100 million to \$110 million in fiscal 2026. CapEx remains our top capital allocation priority with most of this envelope directed towards growth initiatives, including new store openings, store optimization, and continued investment in our digital platforms.

Fiscal 2026 is off to a strong start, and we are confident in our positioning within the consumer discretionary spectrum supported by an operating model built to navigate uncertainty. Anchored in our open-to-buy, chase-driven approach with over 50 percent of inventory dollars left open to read and react, and disciplined inventory management. We remain focused on advancing our brand elevation initiatives supported by disciplined execution and continued investment in our platform.

With that, I'll pass it over to Andrew for closing remarks.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thank you, both Stacie and JP.

Enough of us. Let's turn it back to the Operator as we are ready to take questions from the financial analysts.

Q & A

Operator

Ladies and gentlemen, if you do have any questions at this time, please press star followed by one on your touchtone phone. You will then hear a prompt as your hand has been raised. Out of courtesy to other callers and time allotted today, we ask that you please limit yourself to one question and then return to the queue. Thank you. Also, if you're using a speakerphone, please lift the handset first before pressing any keys. Please go ahead and press star one now if you have any questions.

First question will be from Irene Nattel at RBC. Please go ahead.

Irene Nattel — Analyst, RBC Capital Markets

Thanks. Good morning, everyone. Congratulations on a very strong end and a very strong beginning. Leveraging, sort of jumping off of that, we seem to be at yet another period of heightened uncertainty and a lot of discussion around deterioration potentially in the macro backdrop. Andrew, in your opening remarks, you talked about proactively mitigating risks, Stacie talked about adaptability. Can you walk us through how you're thinking about F26 and as you framed the guidance for this year, how you were thinking about potential scenarios around consumer spending and economic activity?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Good morning. Good morning, everyone. Good morning, Irene. Thanks for the question. Listen, I mean, we can only control what we control. I'll take a step back and as we think about what segment we're in, we're in the consumer discretionary segment. Consumer discretionary is a big catch-all. At one extreme, you've got consumer discretionary that requires debt, like a motor home or a car or a basement

renovation or something like that, and furniture. Then at the other end of the spectrum, it's things that kind of make you happy, instant gratification, whether it's the red lipstick effect or whether it is a martini or whatever. A cute top at Garage or Dynamite, it falls within that realm.

Fortunately, we are in the, in the easier, I guess, department, if you will, within consumer discretionary where really our job and what we ultimately control is emotion. To the extent that we keep doubling down on delivering amazing emotion through the brand, through the marketing, through the product, through the collections, through the social engagement, then ultimately, I think we're going to fare well altogether. Yeah, so I mean, long answer, short question, but I think ultimately that's what it comes down to.

Irene Nattel — Analyst, RBC Capital Markets

Thank you.

Operator

Thank you. Next question will be from Stephen MacLeod at BMO Capital Markets. Please go ahead.

Stephen MacLeod — Analyst, BMO Capital Markets

Thank you. Good afternoon. Good morning, everyone. Thanks for all the great colour. Just looking at the store network, you're sort of increasing or you're bumping up the net new store ads in 2026. I'm just wondering if you can give some colour around just maybe the thought process behind the acceleration and the timing of store openings through the year, including the U.K.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Good morning, Steve. Thank you for the question. I'm more than happy to do so. If we break that down a little bit, let's start with North America. Our guidance for North American store openings is 19 to 21 stores in fiscal 2026, which is quite consistent with what we've delivered in fiscal 2025. Please do know that all 19 to 21 stores, those leases are actually signed. Happy to report they're all Tier 1, 2, and 3 locations, and the vast majority are Garage locations in the US. We feel really good about that.

Then in addition, which might explain the year-over-year increase in the number to your point, is five U.K. store openings that are planned and included in the fiscal 2026 guidance. Those five leases are also all signed, and they're all Tier 1 and Tier 2 locations. We are certainly very excited about the pipeline here, and that's why you're seeing a year-over-year increase. When it comes to the pacing part of your question, I would continue to expect the bulk store openings to be delivered between Q2 and Q3, although there will be some in Q1 and Q4.

Stephen MacLeod — Analyst, BMO Capital Markets

Great, thanks JP.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Thank you.

Operator

Thank you. Next question will be from Martin Landry at Stifel. Please go ahead.

Martin Landry — Analyst, Stifel

Hi, good morning, everyone. Congrats on your results. I would like to dig into your comparable sales guidance of 11 to 14 percent growth for this year. It is impressive given you're lapping a strong year. Two part question. First, what is your assumption for price increases this year? Is it still twice inflation? If that's the case, then it implies pretty strong volume growth. Just trying to get a little bit of an understanding of what kind of growth comes from your relocated stores in that guidance.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Thank you, Martin, for the question. You are right. Our outlook for comps this year is a range of 11 to 14 percent. A few things I would say around that. First of all, and that's aligned with Andrew's opening remarks, eight weeks into Q1, we're currently sitting at plus 28 percent on same store sales. We certainly need to account for that in the outlook for the full year.

Then to answer the price component of your question, we continue to see AURs raising at approximately twice the rate of inflation. That certainly explains part of the guidance of 11 to 14 percent.

Then on the last piece, we continue to believe in positive transaction growth, positive traffic growth year-over-year as a result of the optimization of our real estate network. As we continue to open high quality locations and close certain locations that are yes, profitable, but not profitable enough, this premiumization of our network really does attract and concentrate footfall, which has to translate into positive comps. When you add all of these buckets together, that leads us to a guidance for the full year between 11 to 14 percent.

Martin Landry — Analyst, Stifel

Okay, thank you for all the colour and best of luck. Thank you.

Operator

Next question will be from Mauricio Serna at UBS. Please go ahead.

Mauricio Serna — Analyst, UBS

Great, good morning. Thanks for taking our questions. Just on the online business, seem pretty strong, and its kind of like the guidance continues to call out for outperformance versus brick and mortar. What is the Company doing here to really drive an acceleration of a bad business? What should continue to be the drivers as we look into '26? Just quickly on the Middle East situation, I know you don't have exposure to that region, but just in terms of how could that impact things like your supply chain agility and the margin front, given the rise of oil impacting freight and some of your other costs that are depending on that. Thank you so much.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Listen, I'll take the second part, which is let's say the Middle East part. Listen, so far, we're seeing certain costs going up, namely at this point, really transport more than anything else as the price of fuel has gone up. Also, shipping routes have been kind of dislodged as a result of what's happening in the Strait of Hormuz and through the Middle East. It really is one big global network of shipping. There's an impact there as well.

Listen, at this point is really nominal and we're totally in a position to address it. I'm not saying absorb it, I'm saying address it. In so far, but listen, I mean, the longer this Middle East situation war, I'll call it a war, the longer this Middle East war persists, obviously the greater the impact is going to be. But at this point, again, we're agile. I think you kind of lived our saga through Liberation Day and tariffs and so on and so forth last year. We were quite resilient. This is actually far more manageable a situation. I'm very confident in leadership team and being able to mitigate and deal with it.

Regarding e-commerce, Stacie, you want to take that?

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Yeah, good morning. Thank you, Mauricio, and we want to thank you for initiating coverage on us. I guess we'll let you have two questions. But the first one on ecom is, yes, ecom is outpacing brick and mortar. That is our expectation go forward. We have put a lot of investment in around the platform capabilities. We've included headless in our architect on the app. We've refreshed the navigation in the web and we're working on personalization across all touchpoints.

All of our efforts are focused on improving speed, flexibility, and most importantly, the customer experience. We're excited to go into '26 to really leverage AI and see what we can do with that customer. With our long-term, as we've mentioned to you guys to try to get to that 25 percent penetration, as strong as the comps are, we should expect, and we do continue to see e-com outpace that brick-and-mortar number.

Mauricio Serna — Analyst, UBS

Great, thanks so much and best of luck.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Thank you.

Operator

Next question will be from Brian Morrison at TD Cowen. Please go ahead.

Brian Morrison — Analyst, TD Cowen

Yes. Good morning, Andrew. Can you hear me?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Yes.

Brian Morrison — Analyst, TD Cowen

Andrew, I'm standing right in front of 321 Oxford right now and the store traffic, it looks incredible. It looks like a potential fire hazard. Can you just walk through the steps that you took to seed this market? I know it's early days, but what that might suggest to you about other European markets?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

That's hysterical. Having just been there over the weekend or last weekend for the opening, I could well imagine what you're seeing. Yeah, it's, listen, the store opened, well, I mean, we opened two stores,

as you guys know. In the U.K., we opened Bluewater Mall, which is a suburban, great suburban asset. I would say slightly Northeast from Piccadilly Circus in London, as well as 321 Oxford, which is between New Bond Street and Regent. Fantastic location.

Listen, these two stores are the two best store openings in GRGD's history. Like that's a lot of stores that we've opened and closed and opened. I mean, I could probably count a thousand store openings over time. These two are the two best. Really, really excited about that. Both Oxford and Bluewater, similar yet different kind of customer. One's more urban, one's more suburban. We've always said that that customer reminds us of a Northeast USA customer, but just happens to be in the U.K. I think we've been proven right. The demand is really, really, really strong for the brand, for our products. Reception has been amazing. I think it's a great proxy for the U.K. I'm not used to, I would say, instant success. Usually, we suffer in all our endeavors. You know, we're just tenacious and we grind our way through and achieve success. Ultimately, this one feels a little unexpected.

But listen, I think it's great for the U.K. Listen, there's a lot of other markets that are similar to the U.K. and the world is a much smaller place today. Everyone's getting their information, their fashion cues and whatnot from similar communities and perhaps even people. Yeah, the world's a really small place. For sure, this is a great proxy for further global growth. But I think it's early days to figure out where we go. The nice thing about an Oxford Street is it is a bit of a melting pot of the world. We're going to come to appreciate where we over-index and with what customers we will over-index with. It might be a good little proxy.

Brian Morrison — Analyst, TD Cowen

Thank you.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thanks for visiting. I am sure there's a lineup for the fitting rooms going all the way up the stairs. I could almost see it.

Brian Morrison — Analyst, TD Cowen

Absolutely.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thank you.

Operator

Next question will be from Vishal Shreedhar at National Bank. Please go ahead.

Vishal Shreedhar — Analyst, National Bank Financial

Hi, thanks for taking my questions. Following on along a question that's been asked earlier, just on the economic backdrop and the difficulty on setting guidance given all the uncertainty. I was wondering if you could just walk us through your thinking on when you set the guidance and what would be the difference between call it the top end and the low end? What would the major factors be in your mind?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Yeah, hey, thanks for the question. Always wonderful chatting with you. I would say you opened with given the difficulties in the macro environment and how that connects to providing guidance. Actually, there is no connective tissue between those two. Yeah, I'll be just very frank. Again, we're within that consumer discretionary realm where as long as interest rates are slightly higher where they are today and inflation seems to be reasonably real and there's angst in this world, we actually do better.

I mean, that's actually a good tailwind for us. I mean, that's kind of like the way we see it. We don't, so not, and we don't, and again, these are things that are really beyond our control. We don't even, we really don't weigh on that as we think of our plan. Listen, I'll pass it to JP to get a little deeper in this.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Yeah, thanks, Andrew. Hi, Vishal. Further to what Andrew's just said, obviously if you're referring to the EBITDA margin guidance, there is a range of say 150 basis points, but we need to appreciate that a full year is a long period of time, 12 months. Also, obviously the sales are a very important factor. As we start with this initial guidance for fiscal '26, I think it's reasonable to have a bit of a range, especially on comps and total revenue growth. That will certainly impact your range for Adjusted EBITDA margin.

That's nothing different than the approach we would have taken last year. With passage of time this year, you can expect us to refine our guidance as we know more when Q1 and Q2 become actuals and so on and so forth.

Vishal Shreedhar — Analyst, National Bank Financial

Thank you.

Operator

This question is from Michael Glen at Raymond James. Please go ahead.

Michael Glen — Analyst, Raymond James

Hey, good morning. I'm just hoping that you can maybe parse the expansion you're expecting on both your gross margin line and SG&A leverage. Obviously last year was a massive year for SG&A leverage. Are you expecting that to slow down this year? I'm just trying to figure out what you're contemplating for the guide.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Hey, Mike. Thanks for the question. Starting illustratively with the midpoint of the range, which would be for an Adjusted EBITDA margin of 38.5 percent, that effectively means a 200 basis points year-over-year improvement as we've landed at 36.5 percent this year. If you take the midpoint, that again gives you an increase of 200 basis points. I would say high level and illustratively, I would probably split that half and half between gross margin and SG&A. Let's look at those two in details.

On the gross margin side or that quote unquote 100 basis points improvement, I think we continue to see a path for healthier IMUs year-over-year. Certainly, the high tariffs early last year, that is tailwind for us this year. That is no longer the case. Of course, there's also the whole supply chain and USDC ramping up. Those three benefits are somewhat offset by the whole oil and freight situation. For us, those are the key drivers. The biggest two, again, probably room for IMU expansion and the lack of significant tariffs this year versus last year.

On the SG&A side of things, so call that the other 100 basis points improvement or so, there's really a lot of opportunity for operating leverage. When you guide towards revenue growth of 22 percent to 25 percent, that is very healthy. I think there's a very real path for us to leverage on some of these fixed costs. Yes, of course, we do have productivity initiatives, but the bulk of that say 100 basis points is really operating leverage. I hope that answers the question properly.

Michael Glen — Analyst, Raymond James

Very well, thank you.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Thank you.

Operator

Next question is from Chris Li at Desjardins. Please go ahead.

Chris Li — Analyst, Desjardins

All right, good morning, everyone, and congrats on a strong quarter. I know you already have a very strong inventory system, management system already, but can you share with us what other initiatives you might be working on to further enhance the inventory productivity to continue to support your strong comp store sales outlook?

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

I mean, Chris, we turned it 10 times last year, so I think we're pretty efficient on that. But I would say the teams are very agile in all the conversation coming up of we control what we can control. I think you guys should feel comfort in that we are working with as much diligence as we have to deliver the results in 2025. Because of our operating model and how close we are in, even if we hit a hiccup, be it the tariff, be it the war, be it transportation, it's very near and dear, so it's very close.

Typically, by the time we're placing the order, we know what we're up against. Meaning right now I haven't placed all of my goods for even Q2, but I know if there's going to be a freight delay or an increase due to oil. All the questions that you've asked, I'm not probably like most of my peers already sitting on order that is going to be hit with the extra cost. I'm going to face it right at the beginning when I'm still negotiating. I think even hiccups or hurdles that we have because of our operating model and because of our chase structure, we're buying so close in, we hit those things right away and we're able to adjust with the strategy probably better than our peers.

But as far as more inventory efficiency, I'm going to try to hold us at the 10. I would question, Andrew hates inventory, which is how we get here, but at some point, you're missing opportunity of sales if we're turning too much faster than that 10.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

I would just add to that, Chris. I would add to that, part of it is also just math, right? As we keep closing Tier 5 stores or let's say low activity stores and keep opening and investing in high productivity stores, just mathematically, the numbers kind of get better. That's part of the bridge. I can't tell you what part of the bridge, but that's part of the bridge as to how we move from where we were last year in terms

of turns to this year's 9.95 or something like that, or 9.85, yeah. Part of it is just honestly extrapolation in the math.

I made that comment in my comments and my remarks that, listen, we're closing, I'd say like calling a liar for a store or two, but all stores that we close are profitable, but they're just not profitable enough and they're hoarding assets, inventory assets, right? The stock turns in those stores are much worse than what we're investing into. Just pure mathematical extrapolation supports the higher, directionally supports the higher stock turns, the better stock turns.

Chris Li — Analyst, Desjardins

Thank you both and best of luck. Thanks.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thank you.

Operator

Next question will be from Adrienne Yih at Barclays. Please go ahead.

Adrienne Yih — Analyst, Barclays

Great. Thank you very much. Absolutely stellar performance. I wanted to just say great start to the year. My question's on brand awareness. As you open stores, often we see sort of the digital lift in the kind of five mile radius, 10 mile radius. Can you talk to us about the progression from a year ago or more

than a year ago at IPO? What did the brand awareness look like in the U.S. and as you've opened these, excuse me, store assets, how much better has that gotten? Then when you launched in U.K., what do you do to seed the market if anything, or is it sort of you're just in this very virtuous cycle of opening stores, generate brand awareness and then drive the comp? Thank you.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Yeah, good morning. Thank you for the question. A loaded one there. I'll just make sure I cover all of it, but I'll actually start with the U.K. because your latest part of the question was seeding. As we've called out, those were our two best store openings ever. There was a lot of focus on how we're entering that market. I will shout out our PR firm and our landlords for such support in our entry into the market.

Also, our marketing team did an excellent job. I think we know who we were specifically targeting and getting the right girls in each location from nano influencers all the way up to macro influencers. We started in the country about a month before Bluewater opened, which was like mid-Feb. We had our first in real life moment where the consumer could come in and have a feel of the brand. We had what we were calling a refresh station on London Fashion Week. They could come in, get a power shot, get an IV drip, whatever. But more importantly, it was around coming in to interact with the contents, the fabrics, see the brand in real life, meet some of our ambassadors and our marketing team. It was open to the press. It was very strong.

Then that built up over the month with a heavy seeding of product. We are very proud of a TikTok that went viral. The girl literally was like, "All I keep seeing is Garage," which was kind of our mandate to that team. We're excited, when we opened Bluewater, which is a mall, as Andrew mentioned, in the

suburb, we had people in line the night before at 7:00 PM to shop the opening the next day at 10:00 AM. You might ask, why wouldn't you just go online? But it was the brand excitement and heat was, it was great to be a part of. It was an electric environment, and it lasted all weekend. We had a line in both stores the full weekend that we were open from Friday to Sunday. We know the brand excitement is there and we're hoping to capitalize on it.

We're also going to hindsight what we did there because true to form, we don't actually do that much of an intensive deep dive into a U.S. store opening. think we take for granted that we're down there, so is there opportunity there? But both the U.K. and U.S. openings are led by social first. Our social team is really doing a great job of getting the word out there. When we ask people online, how have you heard about the brand? It's typically social, leaning heavy into TikTok there. Excited about what we have in both three more openings in the U.K. and the U.S. openings to come this year. I think there's some strong brand heat to drive the momentum of those openings to try to see if we can emulate what we just did at Bluewater in Oxford. Hope that answers your question.

Adrienne Yih — Analyst, Barclays

Yes, thank you so much. Fantastic.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Thank you.

Operator

Next question will be from Mark Petrie at CIBC. Please go ahead.

Mark Petrie — Analyst, CIBC

Yeah, good morning. Thank you. I actually wanted to continue on that same topic of marketing and you guys have talked about some of the investments and adjustments that you made in 2025. Obviously, you're getting extraordinary payoffs from those and clearly the U.K. is off to an excellent start. I'm just curious how you're sort of thinking about that into '26. Adjustments, tweaks, if you think you're still at the right level. Again, obviously you're getting excellent returns. Is there an opportunity to even potentially accelerate the marketing investment further in order to support the stellar top line? Thanks.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Yeah, I think our challenge first and foremost is typically to optimize. We still have some opportunity to shift buckets. As I just said, social is working really well. Influencers are really working very well. Our ambassador programs working very well. Some of the traditional paid formats are slowing down for us. Shifting and optimizing buckets, we're trying to maintain a healthy budgeted percent of sales and we're looking at every ROAS that comes in across everything we're doing and being agile and shifting those buckets just as close in as we do the product.

I would say the win for marketing going into 2026 is it's even tighter aligned to the product team. Showing up with a more 360 storytelling and launch, that will give us more greetings and a stronger ROAS into '26, but excited about the future of the marketing team.

Mark Petrie — Analyst, CIBC

Does that adjust at all just based on the content that comes from the stores? Do you expect that to be a bigger part of what you're doing or smaller? Sorry, I'm squeaking in a follow-up.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

I caught that. Okay, I would say probably growing, but in general, I think our biggest excitement for '26 is how we're going to use that customer journey and start personalizing more. If we can get AI up and running on more fronts, get the UGC customer content more useful, that's where we're trying to leverage. But I will, since you snuck in a question, I'll give you another stat that frequency is up and our AOV is up. Just know that she's shopping more and the AUR we could say is being driven in the AOV, but our UPP is flat. Overall, we're driving a very healthy lifetime value customer. That's our initiative from the product team; the marketing team is to keep the heat on and keep her wanting to come back for more.

Mark Petrie — Analyst, CIBC

Appreciate the comments, all the best.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Thank you.

Operator

Next question will be from Luke Hannan at Canaccord Genuity, please go ahead.

Luke Hannan — Analyst, Canaccord Genuity

Thanks, good morning. I wanted to ask a question just on longer term square footage growth. I appreciate it's very, very, very early days in the U.K., but it sounds like everything is very much tracking ahead of expectations there. You're on track to open five more stores this year. What can you share, if anything, on the pipeline for fiscal '27 and how that's filling out? Then secondarily, when we think about Dynamite, it sounds like the conversions are going well there. When should we expect to hear a little bit more on what the strategy could look like there?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Yeah, hi, listen, so regarding the U.K. and '27, I'd rather not get into it. I mean, listen, suffice it to say, we look at the U.K. as a really wonderful opportunity. It's larger than Canada, feels like Canada, smells like Canada, smells like the Northeast USA, in a good way, maybe better. There's lots of opportunity and we're listening, we're talking to a lot of people, but there's nothing, I think that we're prepared to talk to really disclose of and on at this point.

In so far as Dynamite, I would say the same thing, I mean, listen, the vast majority of the business is Garage, right? We got to keep our eyes on this one, right? I would say there is a, I wouldn't say disproportionate, but there is a commensurate amount of energy emphasis and if you will, going into Garage right here right now, because that's where we're getting the better bang for the buck. That much being said, we're very happy with the Dynamite performance. It is up, we don't segment, but it's growing. Yeah, I mean, we're still bullish on it, the stores look great, I think the stores look great, the marketing is looking better than ever. The customer seems to be really happy, and we're not really prepared to talk about anything in '27 and beyond.

Luke Hannan — Analyst, Canaccord Genuity

Understood, thank you very much.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thanks.

Operator

Next question is from Jon Keypour at Goldman Sachs. Please go ahead.

Jonathan Keypour — Analyst, Goldman Sachs

Hi everybody, good morning. Thank you for the question. Mine is on the '26 comp guide being 11 to 14. I think after 3Q, you guys gave us a kind of rough sketch of what 2026 might look like. I think you guys, correct me if I'm wrong, guided to a comp high single digit. Obviously, that's a step up to some degree. I'm just wondering, is that improvement in the guide driven by what you've seen quarter to date in 1Q? Is it driven by expectations for the back half or I guess just exactly what is generating that upside? Thank you.

Jean-Philippe Lachance — Chief Financial Officer, Groupe Dynamite

Sure thing. Thank you for the question. Certainly, the vast majority of the difference has to do with the Q1 to date performance at plus 28 percent. When we provided the high single digit colour back in December, truthfully, we were not expecting to do 28 percent comp for Feb and March or at least the first

eight weeks into Q1. That definitely had an impact, which is the bulk of the increase from the high single digit to the current range of 11 to 14. I don't know that we've changed anything massively for the rest of the year. That really is the bulk of it.

Jonathan Keypour — Analyst, Goldman Sachs

Thank you.

Operator

Next question will be from John Zamparo at Scotiabank. Please go ahead.

John Zamparo — Analyst, Scotiabank

Thank you, good morning. I wanted to ask about the real estate side of the business. As you see continued strength and strength for sales and higher average volumes from recent openings, is the quality of opportunities in the pipeline roughly the same as what it's been? Are some sites that maybe were even previously unattainable, are those now becoming potential stores you could open?

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Yeah, hi, good morning. I would say, listen, the macro trends that we've observed for the last eight years still persist, meaning flight to quality. You're really seeing those better assets, what we call quote unquote in GRGD language, investment grade assets, which represents maybe 10 percent of the shopping center universe. We're seeing these assets still growing, still taking market share, gaining revenue and so on and so forth. We still are very long on that. We're still investing in those assets.

Listen, I mean, we're not the only ones who figured that one out. There is a lot of competition, a lot of competition on any opportunity that ever becomes available. Rarely are we the only player out there knocking on that landlord's door for that particular premises. There's probably 10 or 20 other players knocking on their door now, so it's as challenging as ever before. One of the big benefits, I guess, of GRGD and where we are here today is our sales performance is such that we are what the landlords often call a top quartile performer.

If they've got a location that is currently being occupied by a bottom quartile performer, and their lease is up and they can re-merchandise or they can take the premises back while their preference would be to absolutely lease it to a top quartile. There might be 20 people knocking on their door. Not all of them are top quartile performers. As a matter of fact, not that many are. That certainly is a big advantage for us.

Despite the fact that times are really challenging, our performance and our brand heat and the traffic that we drive into their asset make it such that we become a desirable option for that landlord. We're still seeing opportunities. We're still seeing deals being public and having a public—it's so funny, now we're dealing with a new landlord community that we don't really know in Europe, for example, in the U.K. Many of them don't really know us. We provided a one-page cheat sheet, and we benchmarked ourselves in some of the key critical metrics.

I mentioned that actually in my opening remarks, whether it's revenue Adjusted EBITDA, ROI or inventory turns, we are literally the best performer in each of those four metrics of all our peers. So much so that I said, because we keep saying we've got a luxury business operating model. I said, “Well, why

don't we benchmark ourselves to the luxury players?" We're literally, we beat all the luxury players, saving except for Hermes in Adjusted EBITDA. With that information, those landlord, that really is meaningful for those landlords and that helps us often enough get across the finish line and secure that real estate. Hope that answers your question, but I like the way it goes.

John Zamparo — Analyst, Scotiabank

It does, I appreciate the colour, thank you.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Thank you.

Operator

At this time, we have no other questions registered. Please proceed.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Perfect, well, thank you so much everyone. I wish you all a wonderful day and we're super excited for the year to come. The brand is hot, there's great enthusiasm. The teams, I mean, we didn't really talk about people and teams so much, but let me tell you, our teams are all fired up. As you know, they are all shareholders. We're all rowing in the same direction. It makes JP, Stacie, and my life a little bit easier. That's it, thank you and have a wonderful week.

Stacie Beaver — President and Chief Operating Officer, Groupe Dynamite

Thank you everyone.

Andrew Lutfy — Chief Executive Officer and Chair of the Board of Directors, Groupe Dynamite

Happy Easter for those of you or Passover.

Operator

Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we ask that you please disconnect your lines. Enjoy the rest of your day.