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Groupe Dynamite Inc. TSX: GRGD
SPRUCE POINT
CAPITAL MANAGEMENT
INVESTMENT RESEARCH REPORT

SPRUCE POINT CAPITAL MANAGEMENT

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SPRUCE POINT CAPITAL MANAGEMENT

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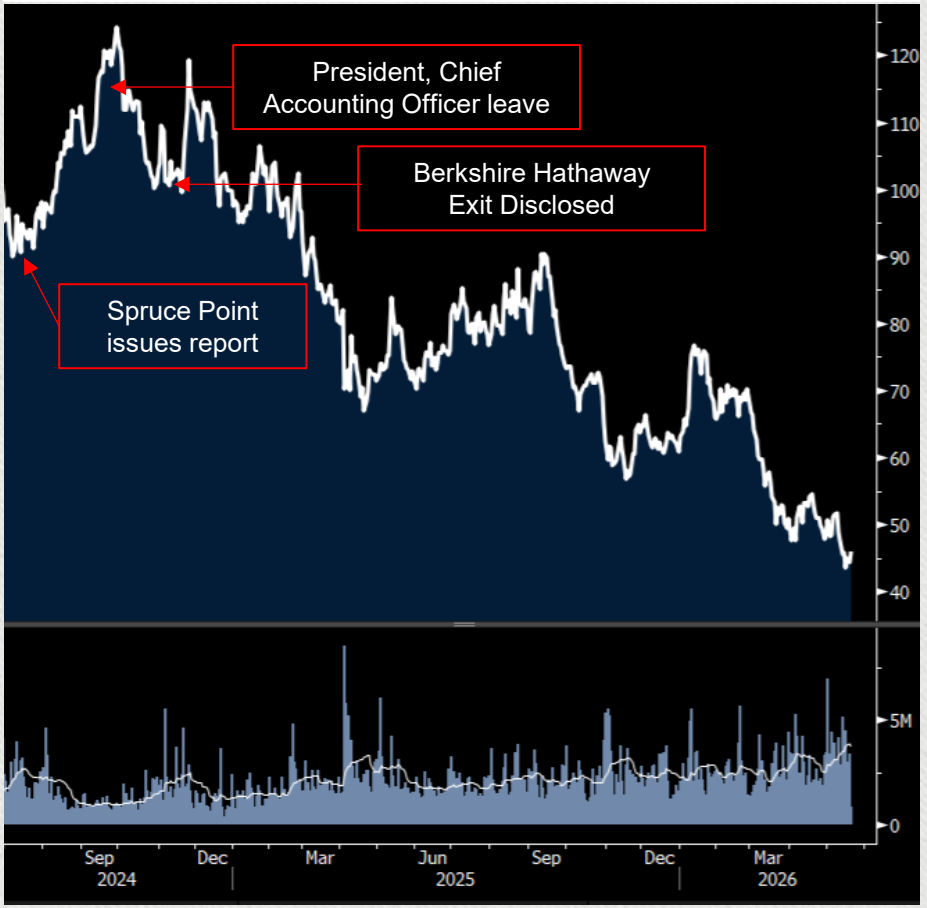
SPRUCE POINT CAPITAL MANAGEMENT

Spruce Point Has A Track Record In Retail Short Selling Activism

Spruce Point recently sent a FEDEX of our forensic report on Floor & Decor to Berkshire Hathaway expressing our concerns. They exited their position ahead of a large collapse in the share price.

	FLOOR & DECOR
Report Date	NYSE: FND | 7/1/2024
Enterprise Value	$12.9 billion
Company Promotion	Leading omnichannel retailer in specialty hard surface flooring and decor home products.
Our Criticism	FND's growth strategy issues are structural and not cyclical as competition increases, product, technology, marketing and labor advantages disappear, and customer demographics worsen. Concerns raised that the Company recently made revisions to key revenue claims, numerous omissions of past disclosures, changes to accounting policy language and modifications to business practices that obscure its growing challenges. We see 40%-60% downside risk.
Successful Outcome	Floor & Decor's share price declined over -50% following our report and key executives such as President Lang, the Chief Accounting Officer, Board member Starrett, and CEO Taylor each transitioned from the Company. Warren Buffett's Berkshire Hathaway sold its entire stock position.

FND Share Price



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SPRUCE POINT CAPITAL MANAGEMENT

Groupe Dynamite's Connection To The Lightspeed Commerce Inc. (LSPD) Promotion

Spruce Point observes that GRGD's lead director is Chris Arsenault from Inovia Capital which backed Lightspeed Commerce Inc. (TSX / NYSE: LSPD). In fact, he served as Chair of the Audit Committee at Lightspeed according to another biography. Lightspeed was highly touted as Quebec's first unicorn.(1) Unfortunately, the promotion has not matched the reality and Lightspeed has experienced substantial gross margin compression (69% to 43%) while its once blistering growth has slowed to single digits from over 100% growth (inclusive of acquisitions) in the post-pandemic period. Spruce Point warned about Lightspeed's propensity to miss its goals and that its share price was overvalued.(3) We express similar concerns with GRGD that its margins, growth rate, and ultimately its share price momentum, are not likely sustainable.

GRGD Lead Director Biography

Chris Arsenault *– Lead Director, Chair of the Nominating and Governance Committee and Member of the Human Resources and Compensation Committee*

Chris Arsenault is Co-Founder, President and Chief Executive Officer of Inovia Capital, a leading North American venture capital firm managing multi-billion-dollar assets and investing globally across early and growth-stage technology companies. With over two decades of experience in technology investing and company building, Mr. Arsenault brings deep expertise in strategic growth, capital allocation, governance, and scaling international businesses. He has partnered with founders and executive teams through initial public offerings, strategic sales, and global expansion initiatives. Mr. Arsenault currently serves on the boards of AppDirect, Super.com, and Talent.com. He previously served as a director of Lightspeed (TSX/NYSE: LSPD), Poka (acquired by IFS), Luxury Retreats (acquired by Airbnb), Reflex Photonics (acquired by Smiths Interconnect), Well.ca (acquired by McKesson Canada), and Forum AI Québec. In addition to his corporate governance roles, Mr. Arsenault serves on the board of the Montréal Heart Institute Foundation and is a Charter Member of The C100, a Silicon Valley-based organization supporting Canadian technology entrepreneurs.

Lightspeed Share Price



Sources: Biography (1,2), Bloomberg, *"Canadian tech unicorn Lightspeed stock jumps after TSX IPO"*, CBC.ca, March 8, 2019
3) *"Putting the Brakes on Lightspeed"*, Spruce Point Research, Sept 29, 2021
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Executive Summary

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CAPITAL MANAGEMENT

We Are Short Groupe Dynamite Inc. (TSX: GRGD) And See 35% – 70% Potential Downside Risk

After conducting a forensic financial review of Groupe Dynamite Inc. (TSX: GRGD or "the Company"), a Montreal-based women's clothing retailer operating the Dynamite and Garage brands with stores in the U.S., Canada and U.K., we are short based on our belief that sustaining the Company's current industry leading financial performance, including world class gross margins and inventory turnover, will be challenged, and its share price valuation premium is likely to contract. Founded in 1975, GRGD faced significant challenges and filed for bankruptcy in 2020 during COVID-19. After a reorganization and a November 2024 IPO, the share price is up 170% on a remarkable acceleration of financial performance in 2025 led by its Garage brand while Dynamite struggles and Canadian stores are being closed. GRGD's sexually suggestive advertising and focus on fast fashion and athleisure has gained it a following among Gen Z and Millennials. The women's fashion industry is fickle, trends change fast, and their social media / influencer driven core customer can lose interest quickly. Our evidence suggests this may already be happening, and when combined with other forensic clues, lead us to warn against the possibility of 35% – 70% downside risk to GRGD's share price. Notably, GRGD is backed by Inovia Capital, who previously promoted Lightspeed Commerce Inc. (TSX / NYSE: LSPD) where we warned about unsustainable performance and unrealistic expectations.

Spruce Point also calls for GRGD to evaluate suspending dealings with Tusuka Group (Bangladesh), a key garment supplier, following news that Managing Director Fayzur Rahman (Badal) was arrested in an attempted murder case.

We obtained U.S. import records that indicate Tusuka Apparels Ltd. represents approximately 20% of GRGD's total U.S. imports. Local news sources report that in addition to his arrest in an attempted murder case, Mr. Rahman's bank accounts have been frozen by the National Board of Revenue for allegedly financing acts of sabotage linked to labor protests. Given rampant labor protests in Bangladesh that have continued through November which are causing human injuries and forcing up to 500 plant shutdowns, we think GRGD needs to take a hard look at its key Bangladesh supplier.

The Company's "*Supplier Code of Conduct"* codifies dealings with suppliers that don't respect "*Human Rights"* and *"Freedom of Association"* while outlining conditions about "*Worker Hours".* The code says we, *"recognize and respect the right of employees to join and organize associations of their own choosing and to bargain collectively".* GRGD also says*, "We continue to be driven by our original mission: to create accessible fashion that inspires style-conscious individuals to feel good in their skin."* We question how GRGD can feel good in its own skin knowing it is supporting an organization facing serious allegations that undermine worker safety and how customers might feel that it could be indirectly financing an alleged attempted murderer.

SPRUCE POINT CAPITAL MANAGEMENT

We See Multiple Signs of Rising Stress At GRGD

We see multiple new stresses emerging with the Company's long-term FY28 target for 350 stores.

Based on our analysis of bankruptcies in women's fashion, we believe GRGD's long-term target puts it within the strike zone of where peers have historically faced distress: Of course, GRGD faced its own crisis during COVID-19 which forced it into bankruptcy when it had 322 stores. The FY28 target may also represent a ceiling as to its long-term potential and management's visibility already appears to be decreasing. We observe that the recent 2026 Annual Information Form ("AIF") removed specific guidance as to how many stores it could open and close to hit its "net 50" store opening target.

Our analysis suggests GRGD is likely to miss 2026 new store opening targets and the store development pipeline indicates a vast expansion in retail space, introducing new risks: GRGD guided to opening 24 – 26 mostly U.S. Garage stores in FY26 but doesn't issue regular press releases to announce new openings. From Q3 to early November 2026, new stores we identified indicate that GRGD is 4 – 6 stores short of target and 75% are not near Aritzia, a retailer we think the Company is attempting to mimic. However, our greater concern is the new store pipeline. We identified 7 stores in very high-end locations with average square footage of approximately 5,270 or 40% bigger than the current average. This is anchored by a planned 9,000 sqft. store in New York's Flatiron District. A former GRGD executive we interviewed who was familiar with store operations expressed skepticism with the location and noted that the area doesn't have the girl (fitting GRGD's customer profile) and that volumes in the area tend to be lower. Also, >80% of these new locations are outdoors, exposing GRGD to more weather risk.

GRGD touts world leading inventory turnover, but we think inventory is the canary in the coal mine: YoY inventory turnover improvement through Q2'26 was the lowest in recent history. With store growth stagnant since Q3'25, inventory per store rose in Q2'26 by 23% yoy which is concerning given total revenue guidance for the year is 25% – 27% and comparable store growth is projected to be 12% – 14%. The CEO says he hates inventory and GRGD rarely does promotions, but we find a sharp +19% increase of "sale" items appearing online from September to November. We also observe growth in purchases of raw materials for fabric expected to be utilized in the next season has sharply decelerated to just +3% from +17% at FYE. The raw materials purchasing slow down is occurring as inventory turnover appears to be improving, albeit at a slower rate. Of course, it's possible that GRGD is just planning on making smaller clothes or fewer garments for its product assortment. GRGD no longer claims lower markdowns are benefitting gross profit. We also see that GRGD has materially shrunk the number of accessories it offers from 164 in April 2025 to just 76 items today. A former GRGD executive told us that accessories generally carry higher margins than clothing. These factors lead us to believe gross margins are likely to contract going forward.

SPRUCE POINT CAPITAL MANAGEMENT

We See Signs of Slowing Growth Momentum

A look at recent capex guidance for FY26 supports our concerns: By critically analyzing and adjusting the capex guidance for deferred / delayed capex from FY25 and the guidance of 4-6 incremental new stores opened in FY26 vs. FY25, we estimate that capex on an apples-to-apples basis is declining by approximately -33%. Possible interpretations are that GRGD may have fewer other growth initiatives to invest in, is spending less per store, or is securing lower quality and cheaper locations.

The store opening and inventory issues we highlight could be a function of GRGD's weakening momentum with its core customers: TikTok is a powerful social media platform for fashion brands to interact with influencers and customers. Based on our trend analysis at Garage and Dynamite, we believe the growth rate of followers for both brands has rapidly decelerated in 2026 after a multi-year period of accelerating growth. For example, Dynamite growth is down from approximately 66% to 21% whereas Victoria's Secret's revitalized PINK is up 100% and app downloads grew 50%. Micro influencer costs on social media appear to be rising 45% – 125%. We are also troubled by GRGD's recent omission of *"Customer lifetime value"* as a key performance metric. GRGD also stopped disclosing what percentage of identifiable customers were omnichannel. GRGD claims its marketing strategy is *"Always relevant"*. Perhaps, but it could be losing relevancy. We are troubled that it no longer provides the number of brand ambassadors or the billions of impressions reached from influencers while appearing to restructure or completely abandoning Garage's affiliate and brand ambassador website. Recent data sources support the notion of continued deceleration of customer spending. We analyze Google search trends, website traffic, mobile app data and credit card transactions with each source corroborating our contention that consumer interest and spending expectations for GRGD's brands are likely too high.

Days sales outstanding (DSO) are rising rapidly: Total DSO increased from 4.6 to 7.6 and DSO from credit card receivables increased from 2.3 to 4.9 from FYE to Q2'26. This could indicate aggressive revenue recognition or credit card companies slowing remittance, possibly from higher chargebacks, or customer disputes. Slower cash collection or lower margins from greater credit card fees associated with higher usage is a concern worth watching. Q2 2026 credit card receivables to total sales hit a high of 5.48%.

The other major leg to the GRGD growth story of international expansion has pitfalls: GRGD is talking up international expansion opportunities but with limited specifics beyond five U.K. store openings in FY26. The international story is not new and previously failed; GRGD even retracted its international webpage after 2020. A former executive pointed to greater price and quality competition abroad and higher ESG requirements.

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD's Financial Reporting Is Non-Standard And Merits Scrutiny

The Company's industry-leading performance merits scrutiny given its non-standard and opaque financial reporting.

Comparable store sales ("CSS"): GRGD reported blistering CSS growth of 27.3% in constant currency for FY25 and says, *"We believe that the presentation of the comparable store sales metric contributes to the comparability of our performance with that of issuers operating in our industry."* We question this statement because it excludes digital / e-commerce sales which is widely included in the calculation by industry peers. We think this is important because 65% of digital sales are fulfilled at the store level. Moreover, there is research that suggests customers spend more when they visit a store in-person as this often leads to impulse purchases. As a former GRGD executive noted, digital sales carry lower margins which is concerning given GRGD's push to grow e-commerce from 19% to 25% of revenues and frequent customer complaints about its mobile app experience. Finally, Chief Digital Officer Maxime Boyer departed with only a single proxy statement footnote in May 2026. Mr. Boyer's last biography removed reference to his role a SSENSE from 2016 - 2023. SSENSE was a fast-growing fashion retailer that went bankrupt, leaving millions of debt due to fashion designers and vendors.

Revenue Per Transaction: After reporting it processed 13.7m transactions in FY24 (+24.5% yoy growth) which allowed investors to calculate that revenue per transaction processed declined -3.9%, GRGD ceased reporting FY25 transactions.

Deferred revenue and loyalty programs: Loyalty programs are not a new concept in retail to encourage repeat purchases. We find that GRGD has recently grown significantly its accrual for Loyalty Points within deferred revenue. In fact, GRGD recently added a large point reward for leaving a review, which could indicate that it is facing greater online criticism or competing more intensely for eyeballs. Moreover, the Company stopped disclosing the amount of deferred revenue recognized in revenue from the beginning of the year. This could indicate that customers are abandoning gift cards and/or not redeeming loyalty points because they simply are no longer engaging with the products.

Gross Margin: Gross margin is an important metric used by analysts to evaluate a retailer. GRGD's FY26E gross margin of 66.4% is approximately 1,350bps higher than industry average. After its IPO, GRGD amended its definition by referencing the inclusion of credit card fees. Based on our review of peers, we find that payment processing fees are typically included in selling, general and administrative expense. Also, GRGD does not allocate depreciation or amortization expense to Cost of Sales. Some of these $94m of expenses relate to furniture, fixtures, leasehold improvements and right-of-use lease assets.

SPRUCE POINT CAPITAL MANAGEMENT

We Are Concerned By Quality And Comparability of GRGD's Financial Reporting

Inventory turnover: In its Q2'26 Investor Presentation, GRGD shows a chart of industry leading inventory turnover at 7.7x which dwarfs its peer average of 4.0x. However, it excludes many private and fast-growing fast fashion players like Shein, Temu, and Mango which may be pressuring them. The Company says of its inventory management that it has *"secret powers"* and that *"from an inventory perspective, we fly the plane 500 feet above the ground"*, which we interpret as a dangerous strategy. We find it remarkable the Company achieved this superior turnover ratio while primarily relying on a Montreal distribution facility until it opened a U.S. distribution operation in Ohio mid-2025. This facility was expected to ramp up over 12 months. For example, a former GRGD executive told us that shipments would come into Vancouver, travel to Montreal for unpacking and packing, and then be distributed across the U.S. With such inefficiencies in distribution, the claims of superior inventory turns merit scrutiny. Despite the new U.S. distribution facility, we find that GRGD worsened its shipping terms to customers by raising the minimum free shipping threshold from $60 to $75 and its shipping terms are higher than peers. If GRGD is realizing distribution benefits, it does not appear to be passing on these benefits to customers to maintain competitiveness. GRGD also notably removed key language about inventory composition in the recent Q2'26 MD&A. GRGD's inventory has historically been listed as a "Critical Audit Matter" by Deloitte.

Finally, GRGD included new language in a Risk Factor that it is evaluating a new Enterprise Resource Planning (ERP) for inventory management and accounting systems. This caught our attention because the Company is already apparently managing inventory at a superior level unmatched by public retailers. Why does it feel the need to invest in a new system, which could disrupt operations and come at a steep cost, when the current system does not appear to be inhibiting its success?

Real Estate Leases: It is common for retailers to receive lease incentives and for these incentives to be clearly reported in the footnotes and in the statement of cash flows. Favorably structured upfront lease incentives can result in near-term improvements in cash flow. The Company does not clearly report the effect of incentives in its financial statements. Moreover, lease modifications are also a tool that can improve near-term financial performance. We find that GRGD reported 23% of beginning period ROU assets as lease modifications. This compares with approximately 3% reported among industry peers last year. Our concern is that GRGD is enhancing short-term performance with leasing arrangements.

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We Are Concerned By Recent Financial Decisions

We also believe the Company is engaging in questionable financial maneuvers and conducted a stealth executive team restructuring that could signal forthcoming challenges.

The Company's human capital appears inappropriately structured and could be an unstainable boost to cash flow: When we benchmark GRGD's labor profile vs. store count against retail peers, we find it to be among the industry's lowest. We think this is a dangerous strategy that may help cash flow in the near term but invites customer service and employee dissatisfaction issues. In fact, we found a newly filed class action lawsuit in California alleging that GRGD *"engaged in a pattern and practice of wage abuse against hourly paid or non-exempt employees in the State of California."*

Closing Profitable Stores: The CEO said that stores being closed are profitable but have other challenges and the CFO says the closure has a negligible EPS impact. Rarely have we seen a retailer close profitable stores, especially when there is likely to be a high degree of negative impact to online sales given that 65% of fulfilment happens at the store locations. There is the potential that GRGD is closing profitable stores with slow revenue growth to manage comparable store sales and inventory turnover higher to sustain its share price valuation.

Share Repurchases: The Company says it believes that the market price for its subordinate voting shares may from time to time not reflect the underlying value which is an interesting rationale given its industry premium valuation. It repurchased $51.0m from the CEO and repurchased $62.4m through the NCIB from April 2025-2026. It renewed the NCIB in April 2026 and repurchased a further 1.4m shares for $101.8m.

One-Time Special Dividend: GRGD said it is in the best interest of the Company and an appropriate use of funds. It paid $2.30/share or $252m in dividends in FY25. A one-time dividend signals less sustainability of cash flow vs. a regular dividend.

Stealth Management Restructuring and Incentive Changes: No formal announcement was made, but the proxy statement reveals that Michael Olson, SVP, Commercial Operations overseeing brand commercial strategies to drive revenue growth and profitability was removed as a Named Executive Officer. The proxy also changed the percentage of management incentive compensation tied to Adj. EBITDA more towards *"individual performance"* which is somewhat subjective.

SPRUCE POINT CAPITAL MANAGEMENT

We Are Short Groupe Dynamite (TSX: GRGD) And See 35% – 70% Potential Downside Risk

Spruce Point reality check: GRGD says its capital allocation priority for the next 12 months is investing in business growth. Why is GRGD so quickly draining cash from the Company post-IPO and capex declining based on our adjustments? In our view, growth angles may be moderating, and new stores appear to be falling behind target. If opening stores generates such highly attractive unit economics and returns (GRGD just updated its claim that a store payback is 18 months vs. approximately 24 months or less), why not be more aggressive in opening stores?

Follow-the-money: Audit Committee Director Janowksi exited approximately 97% of his options expiring in December and COO Beaver made a meaningful stock sale in October following two disappointing quarters.

We see a poor risk / reward owning GRGD stock and see the potential for 35% – 70% downside risk.

The 13 sell-side analysts covering GRGD are resoundingly bullish with a consensus price target of C$90.92 per share, or 61% upside potential but we have not seen them raise any concerns with many of findings of our forensic evaluation. With such strong endorsement, and following a very successful FY25, the expectations for continued performance are high. The Company currently trades at 3.7x and 9.2x 2027E revenue and EBITDA, which puts its valuation in rarefied territory as one of the most highly prized retailers in the world. With the shares priced for perfection, and based on the evidence we've presented, we see growing potential for a disappointment of investor expectations and painful valuation compression.

History is littered with retailers that mis-execute and lose their brand appeal, even ones with far greater brand recognition such as Lululemon and Nike. GRGD previously fell into bankruptcy after not being prepared for tail risk events such as COVID-19, and if they fail to adjust to changing consumer trends while over-expanding, history could repeat. We see potential downside risk to approximately C$17.00 – C$36.85 per share (35% – 70% downside) and believe the share price is likely to underperform the retail sector and equity market.

SPRUCE POINT CAPITAL MANAGEMENT

Short Thesis Summary And Opinion

1. May have to restructure or abandon a key supplier relationship in Bangladesh given a key executive is implicated in attempted murder case and GRGD has a Code of Supplier conduct policy to adhere to.

2. Retrenching from Canada and may have limited store growth opportunities in the U.S. The 350-store plan is close to where women's retailers have started facing financial distress and GRGD is already curtailing details about stores to be opened and closed. New stores in the development pipeline appear to be ~40% bigger than average, largely outdoors, and in much more affluent areas that may not resonate with the core customer.

3. Recent retraction / omission of key metrics helpful to understanding the Company's growth trajectory including store closures, transactions processed, customer lifetime value, brand impressions and ambassadors, and deferred revenue recognition. Taken together, these omissions may suggest growing strain with core customers.

4. Non-standard definitions for key performance metrics such as Gross Margin and Comparable Store Sales and opaque other disclosures. Limited inventory disclosures and supply chain inefficiencies but inventory turnover vastly better than peers. Now signaling the need for a new ERP to manage inventory. Questions around store leases and incentives given scant disclosure.

5. Unusual financial policies to close profitable stores and rapidly funnel money out of the Company after abnormally strong financial performance vs. accelerating new store openings given the Company's belief that unit economics are attractive and improving. Capex is also declining -33% yoy in the face of statements that the Company is investing in growth.

6. Recent stealth executive management restructuring and departure of the Chief Digital Officer at a time where customers are complaining about mobile app performance, the Company stopped providing details about the percentage of customers that are omnichannel, and digital sales are expected to grow as a percentage of total sales but suffer from lower margins.

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD's Recent Share Price Momentum Is Not Likely To Be Sustained

GRGD's share price has had a magical run with sales that have materially outperformed the industry. As the Company said, Q3'25 sales were *"unprecedented"*. The Company has rewarded shareholders (primarily entities affiliated with CEO Lutfy) with a one-time special dividend and share repurchases. We question the logic behind these decisions but ultimately believe there is a signal effect that the share price momentum is unlikely to be sustained.

GRGD's Share Price



Source: Bloomberg

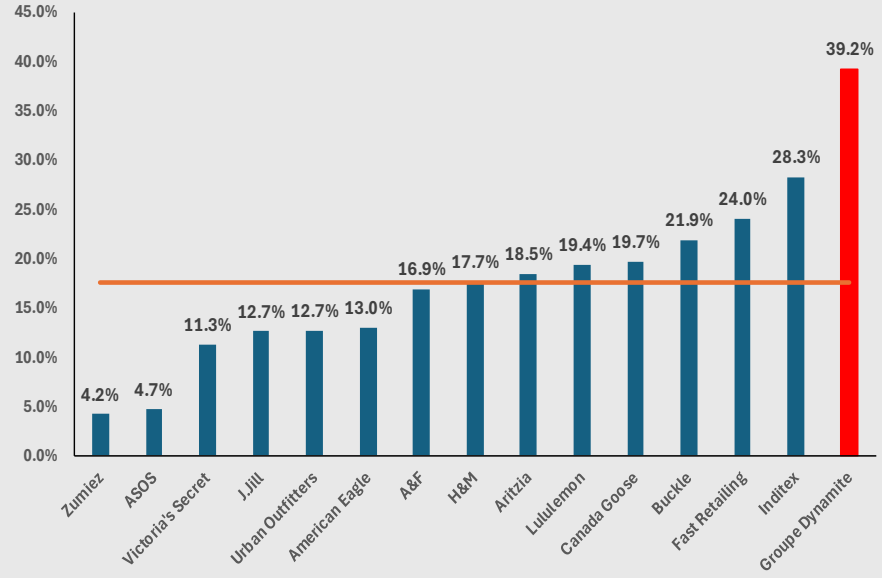
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Remarkable Margins, But Can They Be Sustained?

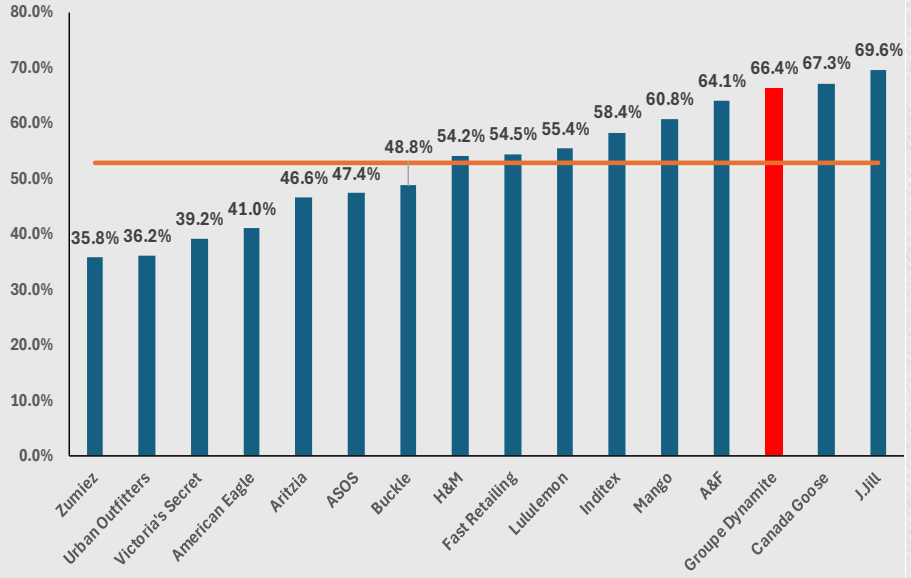
GRGD is a remarkable success in the fashion industry that merits scrutiny and the Company now posts industry leading Adj. EBITDA margins that dwarf peers. Assuming the results are fairly stated, we question the sustainability of its recent success given the brutal competitiveness of the fashion industry and limited barriers to prevent others from replicating its advantages.

Leading margins were generated even with acknowledged supply chain inefficiencies which makes recent results even more remarkable. The latest proxy statement shows management incentive compensation is being shifted away from Adj. EBITDA to subjective *"individual performance"* criteria. We will also provide evidence why we do not believe Gross Margin is stated on an apples-to-apples basis with peers.

2026E EBITDA Margin



2026E Gross Margin



Sources: Bloomberg, Company reports and Spruce Point estimates.



Is GRGD Financing Terror And Human Rights Violations? A Key Bangladesh Business Partner Arrested In An Attempted Murder Case

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SPRUCE POINT CAPITAL MANAGEMENT

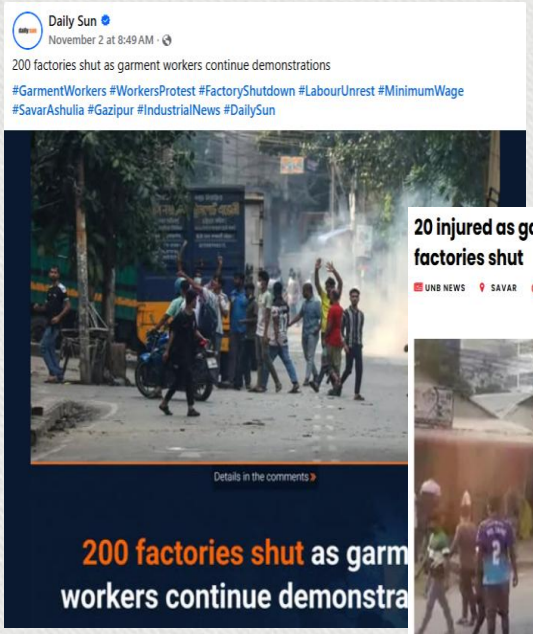
GRGD Has A Controversial Supplier In Bangladesh That's Facing Protests And Factory Shutdowns

By its own disclosure, GRGD says, *"We mainly import merchandise from suppliers in China, Bangladesh and Cambodia"*. Spruce Point obtained the Company's import records to the U.S. and finds that it regularly purchases from Tusuka Apparels Ltd. Currently in Bangladesh, there are mass protests and factory shutdowns from demonstrations. The SCMP reports 500 factories have been closed. The UNB reports 20 people were inured in a clash with police and over 50 factories are shut in the region of Savar.

Recent Imports From Tusuka By GRGD Entities

Date	Bill of Lading	Weight (kg)	Items
GRG USA LLC			
11/2/2026	CMDUBAC0647823	1,258	Cotton pants
11/2/2026	CMDUBAC0647797	4,402	Cotton pants
10/28/2026	CPWBPL6079	1,406	Cotton pants
10/28/2026	CPWBPL6080	3,232	Cotton pants
10/21/2026	CPWBPL6047	2,247	Cotton pants
10/11/2026	CPWBPL5998	3,187	Cotton pants
10/11/2026	CPWBPL5999	3,806	Cotton pants
10/11/2026	CPWBPL5982	1,457	Cotton pants
Groupe Dynamite Inc.			
11/2/2026	UNQLPL6106	3,212	Cotton pants
11/2/2026	UNQLPL6090	5,037	Cotton pants
11/2/2026	UNQLPL6089	2,037	Cotton pants
11/2/2026	UNQLPL6073	5,224	Cotton pants
11/2/2026	UNQLPL6072	4,115	Cotton pants

Recent Protests & Factory Shutdowns In Bangladesh





Source: Panjiva, Daily Sun Facebook post and article, Nov 3, 2026, United News of Bangladesh, Nov 10, 2026, SCMP, Nov 17, 2026.

Tusuka Top Leader Arrested In Attempted Murder Case

Spruce Point is alarmed that GRGD is doing business with a company whose top leader was arrested in an attempted murder case. We find that his biography has been removed from Tusuka's website.

Mr. Rahman Arrested In Attempted Murder Case

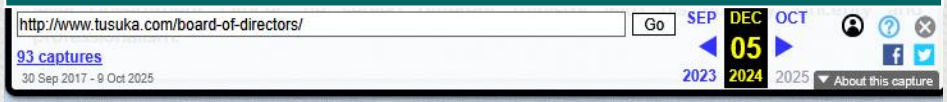
Ex-MP Faizur Rahman Badal shown arrested in attempted murder case

Dhaka Metropolitan Magistrate Mahbub Alam passed the order



File image of former Brahmanbaria-5 Member of Parliament (MP) Faizur Rahman Badal. Photo: Collected

Mr. Rahman on Board of Tusuka (Since Removed)





Fayzur Rahman (Badal)

Managing Director

He started his carrier as an Asst. Merchandiser in the year 1992 in Epic Designers Ltd, a reputed Buying House in the country. He did extremely good in his assigned work and established himself as an efficient Merchandiser. The Company sponsored him a six months training program on 'Design and Pattern Making" in Bangladesh German Institute under a Swedish expert where he learned procedure scientifically that helped him in his carrier progression. He worked there with foreign experts and earned valuable expertise. After 3 years, he joined as General Manager in Merchandising Department in a renowned Buying House, Winners Limited. Finally in 1998 he began his own business through Texel Limited, a buying House. Since then it's a history of success with enormous growth.

As a Managing Director of Tusuka and Chairman of NOVOAIR his efficiency consisting of Tusuka Fashions Ltd, Tusuka Jeans Ltd, Tusuka Trousers Ltd and Tusuka Apparels Ltd, Tusuka Denim Ltd in manufacturing unit; Tusuka Processing & Tusuka Washing Ltd. in Laundry unit, NOVOTEL (International Telecom Gateway) and NOVOAIR (Air Transport Services). Now he is involved in coordinating different divisions, setting overall targets, human resource planning, negotiating with foreign buyers, representing the company in international trade fairs, visiting countries as member of trade delegation, conflict management, participating in important labor meetings, planning labor welfare projects of the companies. He is the key person in overall management.

He visited many Textile Mills in different countries like China, Pakistan, Indonesia, India, Taiwan, Thailand etc. for efficient sourcing of raw materials.

Source: Tusuka website via Wayback Machine and Dhaka Tribune, Nov 2, 2026. Member of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

SPRUCE POINT CAPITAL MANAGEMENT

YTD 2026 Shipments From Tusuka Apparels Suggests That It Is Highly Relevant To GRGD

By analyzing YTD 2026 import records of GRGD's two main operating entities, we find that imports from Bangladesh represent approximately 27% of the total number of U.S. imports. Tusuka accounts for approximately 74% of imports from Bangladesh and 20% of total U.S. import activity. This suggests Tusuka is a high velocity supplier selling potentially popular items to GRGD.

YTD 2026 Bangladesh Supplier Shipments To The U.S.				
	Groupe Dynamite	**GRG USA LLC**	**Total**	**% of Total**
Total Bangladesh Imports	42	58	100	
Total Imports	94	280	374	
% Bangladesh of Total	**45%**	**21%**	**27%**	
Tusuka Apparels Ltd.	**32**	**42**	**74**	**74%**
Versatile Apparel (Pvt) Ltd.	1	7	8	8%
Pacific Jeans Ltd.	2	6	8	8%
Asdwa Fashion Ltd.	3	1	4	4%
Tm Designers Ltd.	3	--	3	3%
Saadatia Sweaters Ltd.	1	--	1	1%
Nalin Tex Ltd.	--	1	1	1%
Sea Blue Textile Ltd.	--	1	1	1%
Total Bangladesh Imports	**42**	**58**	**100**	**100%**

Source: Panjiva through November 6, 2026, and Spruce Point analysis.

SPRUCE POINT CAPITAL MANAGEMENT

Bank Accounts Linked To Tusuka MD Frozen

Local sources at the National Board of Revenue ("NBR") indicates that Tusuka Group's Managing Director allegedly financed sabotage of the garment worker's movement and his bank account has been frozen.

Frozen Bank Accounts of Tusuka Group MD

According to NBR sources, owners of 12 business groups are suspected of financing sabotage during the workers' movement. Those on the list include Tipu Munshi, founder and managing director of Sipiul Group and former commerce minister under the Awami League government.

Others whose bank accounts are being frozen include Salam Murshedy, managing director of Envoy Group and former MP; Shahriar Alam, owner of Renaissance Group and former state minister for foreign affairs; Nasrul Hamid Bipu, owner of Hamid Group and former state minister for power and energy; Tajul Islam, founder of Fabian Group and former local government minister; Faizur Rahman Badal, managing director of Tusuka Group; Abdus Salam, founder of Well Group; Khosru Chowdhury, managing director of Nipa Group; Zahid Ahmed Tulu, director of Axis Knitwears Ltd; AKM Mosharraf Hossain, managing director of Standard Group; and Masuma Khatun Lipa, chairman of Givency Group.

Source: "*NBR moves to freeze bank accounts of 20 people, including ex-ministers, MPs*", Daily Sun, November 5, 2026

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD Should Suspend Financial Dealings With Its Supplier Pending A Review

Groupe Dynamite's own *Supplier Code of Conduct* says suppliers must *"recognize and respect the right of employees to join and organize associations of their own choosing and to bargain collectively*". We believe that GRGD should suspend pending review the purchases from a supplier whose key executive has been arrested in an attempted murder case and whose finances are being investigated for allegedly thwarting garment worker protests.

Groupe Dynamite's *Supplier Code of Conduct*

Groupe Dynamite Inc.'s *Supplier Code of Conduct*

HUMAN RIGHTS Suppliers must commit to respecting human rights and refrain from any activity, or entering relations with any entity, which supports, solicits, or encourages others to abuse human rights.	**FREEDOM OF ASSOCIATION** Suppliers must recognize and respect the right of employees to join and organize associations of their own choosing and to bargain collectively.
FORCED LABOUR / MODERN SLAVERY Suppliers must not use any form of forced, involuntary or trafficked labour, including punitive, bonded, and indentured. No worker should pay any fees during their recruitment process and must be informed of the basic terms of their employment before leaving their home city or country. Workers must retain control of their personal documents/passports/identity cards and have freedom of movement within their workplace and living quarters.	**DISCIPLINARY PRACTICES** All employees must be treated with respect and dignity. No employee may be subjected to any physical, sexual, psychological, or verbal harassment or abuse, or to fines or penalties as a disciplinary measure.

Source: GRGD Supplier Code of Conduct



New Signs of Pressures Emerging At GRGD Raise The Potential For Financial Disappointment

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SPRUCE POINT CAPITAL MANAGEMENT

Spruce Point Is Negative On Women's Fashion As A Sustainable Business Model

Spruce Point believes that women's fashion has an extremely high failure rate and is littered with examples of companies that enjoyed short periods of success before ultimately wiping out investors. GRGD reminds us of American Apparel which pushed sexually charged branding and advertising but ultimately succumbed to a shift in taste from consumers as well as managerial failures and scandals from its controversial CEO.(1) **GRGD's goal of reaching 350 stores puts it right in the target zone of where women's retailers have historically faced financial distress**.

Companies In Women's Retail Targeting Younger Demographics That Went Bankrupt		
Retailer	**Bankruptcy Period(s)**	**Approximate Store Count**
Francesca's	2020/2026	700
Forever 21	2019/2025	350
Claire's	2025	950
Express	2024	100
Groupe Dynamite	**2020**	**322**
Charlotte Russe	2019	500
The Limited	2017	250
Bebe(2)	2017	170
American Apparel	**2015**	**250**
Cache	2015	240
Wet Seal	2015	338
Coldwater Creek	2014	343
	Average:	**376**
	Median:	**330**

American Apparel: A Case Study In Sex Appeal Went Bankrupt



Sources: Public announcements.

1) *"American Apparel files for bankruptcy"*, PBS.org, Oct 4, 2015 2) *"Bebe Avoids Bankruptcy Filing With Real-Estate Deals"*, WSJ, June 6, 2017

We Are Troubled By 5-Year Targets Becoming Less Specific, Especially After Missing Current Targets

We are concerned by GRGD's recent retraction of specific new store opening and closures related to its 5-year plan that it has outlined since its IPO and a further change in reporting practices in Q2'26. We believe this reduced visibility should undermine investor confidence in management's growth plans especially considering the Company's mixed results in hitting FY 2025 targets. While comparable store sales and margins flourished, capex came materially below plan at ~15% vs. the midpoint estimate. Spruce Point frequently warns that companies that miss capex targets by a wide margin tend to have broader underlying problems such as reduced visibility with customers, changing end markets, or poor financial planning.

Outlook

The table below outlines the Company's financial annual guidance ranges for Fiscal 2025:(1)

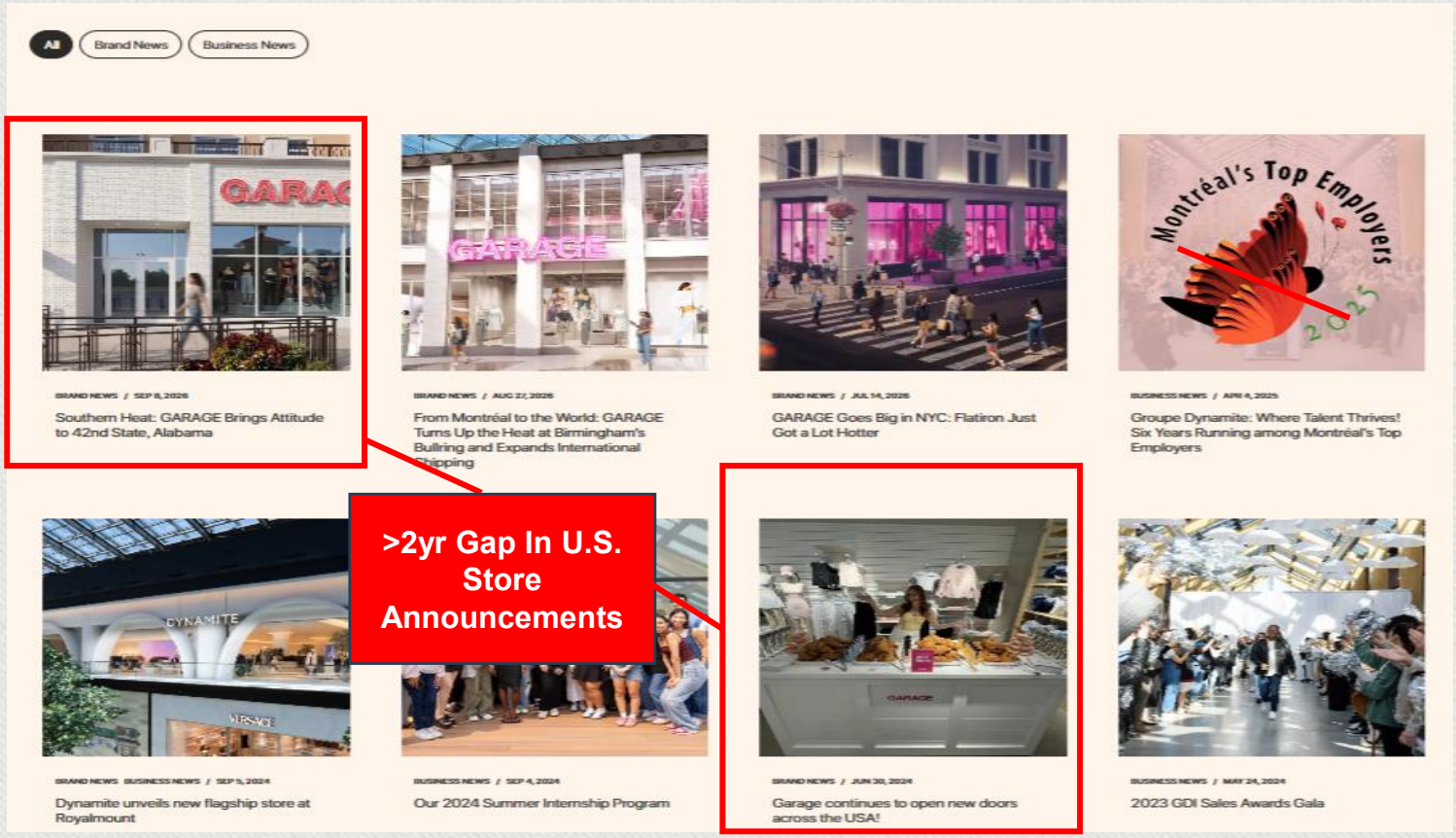
	Fiscal 2025 Guidance	Actual
Real estate activity	18 to 20 gross new store openings 9 to 10 net new store openings	Open: 20 Closed: 11 Net: 9
Comparable store sales growth	5.0% to 6.5%	cc: 23.8%
Adjusted EBITDA margin	30.3% to 32.3%	36.5%(1)
CAPEX	$95.0 to $105.0 million	$85.5m ~15% below midpoint

Date	5 Year Plan Description
Prospectus Nov 2024	*"Our 5-year strategic plan, which has been approved by the Board, targets up to approximately 50 net store openings (**with approximately 75 store openings and approximately 25 store closures**) by the end of Fiscal 2028."*
AIF April 2025	*"Our 5-year strategic plan, which has been approved by the Board, targets up to approximately 50 net store openings (**with approximately 80 store openings and approximately 30 store closures**) by the end of Fiscal 2028, reaching a total of 350 locations."*
AIF March 2026	**Detail of opening / closures omitted** *"Our 5-year strategic plan, which has been approved by the Board, targets up to approximately 50 net store openings by the end of Fiscal 2028, reaching a total of 350 locations."*
Q2 Results Sept 2026	*"**Beginning with Q2 2026, the Company has revised the presentation of its real estate activity outlook to report new store openings only, in order to provide greater visibility into the pace of the Company's store expansion activity, independently of store closures. This change in presentation does not reflect a change in the Company's underlying store opening or closure expectations. The previously disclosed outlook for net new store openings reflected expected gross new store openings, net of anticipated store closures**."*

1) On a rent-equivalent basis Adj. EBITDA margin was 29.6%
Source: Company filings and FY 2025 outlook

Why Does GRGD Infrequently Announce Where New Stores Will Be Opened?

In Spruce Point's experience with retailers, we find they typically issue press releases about new store openings to generate community excitement and inform investors that they are on track to meet their operational targets. In GRGD's case, we see that they ceased issuing new store opening announcements in the U.S. from 2024 until a recent announcement of its Birmingham, AL location in September 2026. The public is more likely to learn about store openings from social media influencers than directly from GRGD.



Sources: Groupe Dynamite website and PR Newswire, Spruce Point red emphasis.

SPRUCE POINT CAPITAL MANAGEMENT

GRGD Appears Short of Its Store Opening Target, With Most Recent Openings Not Near Aritzia

With plans to open 24 - 26 new stores this year, and 12 opened by mid year, GRGD needs to open 12 – 14 new stores in H2 2026. However, based on our analysis they have only opened 8 new stores through early November. As a result, they will need to open another 4 – 6 stores to meet their target. Some investors believe that Garage can piggyback on the success of Aritzia. **However, we observe that only 2 of 8 new stores opened since August are located near Aritzia**.

2026 Newly Opened and Identified Store Openings In H2 2026					
Date	**Venue**	**City, State (country)**	**Source**	**Estimated Square Feet**	**Near Aritzia?**
Q1	5 New Stores (3 U.S. / 2 U.K.)		Company		
Q2	7 New Stores (6 U.S. / 1 U.K.)		Company		
August	Chandler Fashion (indoor)	Chandler, AZ	TikTok	3,000 – 4,000	**No**
August	Flatiron Crossing (indoor)	Broomfield, CO	Instagram	3,000 – 4,000	**No**
September	Trafford Centre (indoor)	Manchester (UK)	Instagram	4,000	**No**
September	The Summit (outdoor)	Birmingham, AL	Bhamnow.com	4,108	**Yes**
October	The Mall in Columbia (indoor)	Columbia, MD	Instagram	3,000 – 4,000	**No**
October	Georgetown (outdoor) former Club Monaco	Washington, DC	Instagram	4,400	**Yes**
November	Willowbrook Center (indoor)	Langley, BC (Canada)	TikTok	3,936	**No**
November	Baybook Mall (indoor)	Friendswood, TX	TikTok	4,461	**No**
Total Stores Opened	**20**		**Average:**	**3,738 – 4,113**	
Stores Needed To Be Opened To Meet Target	**4 – 6**			**Store size trending higher**	
Store Opening Target	**24 – 26**				

Source: Spruce Point research.

SPRUCE POINT CAPITAL MANAGEMENT

GRGD's Risky Bet On Much Larger Stores In Affluent Areas That May Not Resonate w/ Customers

We identified development locations where we believe GRGD is making a very risky bet on much larger locations in extremely upscale locations such as Greenwich, CT, Newbury Street in Boston, and Rittenhouse Square in Philadelphia. The Company may be attempting to parrot Aritzia's success as these are neighborhoods that have existing stores. These locations are also primarily outdoor which increases GRGD's risks to bad weather impeding sales. We interviewed a former GRGD executive who did not think the core customer GRGD is looking for was necessarily in Flatiron, NYC where it is making a bold bet.

Former GRGD Executive	*"Flatiron. That's going to be tough. I think so. We'll see. Flatiron doesn't have that girl in there. I don't know. Maybe today a bit more of a tourist hub. In my experience, it is one of the lower volume neighborhoods."*

U.S. New Store Development Pipeline

City, State (indoor/outdoor)	Est. Square Feet	Details and Source	Near Aritzia?
Fashion Island, Newport Beach, CA (outdoor)	3,000 – 4,000	Source: Fashion Island	No
Newbury Street, Boston, MA (outdoor)	4,650	$2.8m project, 15% above average cost. Source: Permit (ALT1814116) / Sqft Source	Yes
88 Greenwich, Greenwich, CT (outdoor)	4,212	Downtown shopping district, former home decor store. Only 1,344 sqft. is selling space Source: Greenwich CT	Yes
Short Hills Mall, Short Hills, NJ (indoor)	3,000 – 4,000	Source: Short Hills Mall Directory	Yes
Rittenhouse Square (outdoor) 1521 Walnut St. Philadelphia, PA	7,330	Former Express (women's fashion) location. Source: Phila Business Journal	Yes
625 N. Michigan Ave Chicago, IL (outdoor)	4,000 – 6,000	Former Coach location. Source: Chicago Sun / Instagram	Yes
Flatiron, 160 Fifth Ave New York, NY (outdoor)	9,000	Former Club Monaco / Source: Commercial Observer	Yes
New Store Average Square Feet	**5,270**	**~40% Bigger Than The 3,800 Sqft. Current Average**	

Source: Spruce Point research.

SPRUCE POINT CAPITAL MANAGEMENT

A Closer Analysis of Capex Shows A Substantial YoY Decline And May Corroborate New Store Concerns

By critically analyzing GRGD's FY26 capex and adjusting recent guidance for deferred / delayed capex from FY25 and 4 – 6 incremental new store openings, we find that capex spending on an apples-to-apples basis is declining by ~33%. Possible interpretations are that GRGD may have fewer other growth initiatives to spend money, is spending less per store or securing lower quality and cheaper locations.

CFO D. Lachance: April 1, 2026

"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****."*

Groupe Dynamite Capex Analysis

	FY25		FY26E	
C$ in mm	**Low**	**High**	**Low**	**High**
Initial Capex Forecasted store openings	$95.0 18	$105.0 20	$100.0 24	$110.0 26
Actual Capex actual openings	$85.5 20	$85.5 20	--	--
Accrued Capex(1) Shifted from FY25 to FY26	$16.3	$16.3	($16.3)	($16.3)
Less: 4-6 more stores opened @ $2m / store(2)	--	--	($8.0)	($12.0)
Adjusted Capex *% growth*	**$101.8**	**$101.8**	**$75.7** ***-32%***	**$81.7** ***-33%***

Source: Company announcements

1) FY25 Annual Report, Note 20, reports accrued capex which had no impact on cash flow.
2) "*Our new store openings assume an average investment of less than $2 million per store and target an average payback period of approximately two years or less on our initial investment*," AIF p. 15.

SPRUCE POINT CAPITAL MANAGEMENT

We Believe That Inventory Accounts Signal Forthcoming Pressures

Spruce Point believes that inventory growth is always the canary in the coal mine for a retailer experiencing operating challenges and signals forthcoming margin pressure. A close examination of GRGD's recent results raises serious concern. For example, through H1'26 net store growth is zero despite a call for 8 – 10 net new stores. YoY inventory turnover improvement through Q2'26 was the lowest in recent history. With store growth stagnant, inventory per store rose in Q2'26 by 23% yoy which is concerning given total revenue guidance for the year is 25% – 27% and comparable store growth is projected to be 12% – 14%

CEO Q2'26

"These assets are pulling hard on the inventory, and we like engineered scarcity ***because I hate inventory****."*

Inventory and Store Analysis

C$ in mm	FY24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26
Comparable Store Sales Growth	*12.3%*	*13.0%*	*28.6%*	*31.6%*	*30.4%*	*22.6%*	*10.3%*
at constant ccy.	*n.a.*	*n.a.*	*25.7%*	*28.6%*	*27.3%*	*24.7%*	*12.0%*
Guidance	*5% – 6.5%*	*5% – 6.5%*	*7.5% – 9.0%*	*17% – 19%*	*11% – 14%*	*11% – 14%*	*12% – 14%*
Ending Inventory	**$45.0**	**$46.1**	**$57.4**	**$66.6**	**$51.2**	**$54.7**	**$72.7**
% QoQ growth	*-26%*	*3%*	*24%*	*16%*	*-23%*	*7%*	*42%*
% YoY growth	*16%*	*10%*	*2%*	*9%*	*14%*	*19%*	*27%*
Inventory Turnover	**8.54**	**8.50**	**7.25**	**6.88**	**9.85**	**9.69**	**7.72**
YoY increase	*0.57*	*0.89*	*1.13*	*0.79*	*1.31*	*1.19*	*0.47*
Total Stores	**298**	**297**	**299**	**307**	**307**	**307**	**307**
Guidance for net new stores	*9 - 10*	*9 - 10*	*8 - 9*	*8 - 9*	*10 - 12*	*8 - 10*	*8 - 10*
Inventory Per Store	**$150,846**	**$155,377**	**$191,900**	**$216,971**	**$166,837**	**$178,329**	**$236,866**
% QoQ growth	*-26%*	*3%*	*24%*	*13%*	*-23%*	*7%*	*33%*
% YoY growth	*13%*	*8%*	*0%*	*6%*	*11%*	*15%*	*23%*

Biggest YoY Inc.

Lowest YoY Inc.

No YTD store growth

Abnormal increase

Source: Company filings

SPRUCE POINT CAPITAL MANAGEMENT

Gross Profit Benefits Now Omits References To Lower Markdowns

To support our belief that GRGD's recent rise in inventory is not simply explained by stocking for new stores or other potential reasons, we observe that it recently removed reference to "lower markdowns" as a factor driving gross profit increase and in reference to inventory turnover.

Quarter	Gross Profit Discussion
Q2 2026	*"This increase is attributable to the 29.8% revenue growth compared to the relatively lower increase in cost of sales of 11.1% which is due to lower tariffs, controlled merchandise cost increases and lower logistics costs."* *"Inventory turnover (1) ratio was 7.72x at the end of Q2 2026 compared to 7.25x at the end of Q2 2025, reflecting the effectiveness of our market-leading inventory management system and contributing to lower logistics costs."*
Q1 2026	*"This increase is attributable to the 37.0% revenue growth compared to the relatively lower increase in cost of sales of 17.9% which is due to lower tariffs, controlled merchandise cost increases and **lower markdowns**."* *"Inventory turnover (1) ratio was 9.69x at the end of Q1 2026 compared to 8.50x at the end of Q1 2025, reflecting the effectiveness of our market-leading inventory management system and contributing to **lower markdown levels**."*
Q4 2025	*"This increase is attributable to the 45.0% revenue growth compared to the relatively lower increase in cost of sales of 30.9% which is due to controlled merchandise cost increases, **lower markdowns** and **our pricing** strategy."*
Q3 2025	*"This increase is attributable to the 40.3% revenue growth compared to the relatively lower increase in cost of sales of 28.3% which is due to controlled merchandise cost increases, lower outbound freight costs and **lower markdowns**."*
Q2 2025	*"This increase is attributable to the 19.7% revenue growth compared to the relatively lower increase in cost of sales of 13.8% which is due to controlled merchandise cost increases, lower outbound freight costs and **lower markdowns**."*

Removed markdown references

Sources: Company MD&A reports

Online Sales Items Increase While Gross Margins Estimates Remain Unchanged And Seem Aggressive

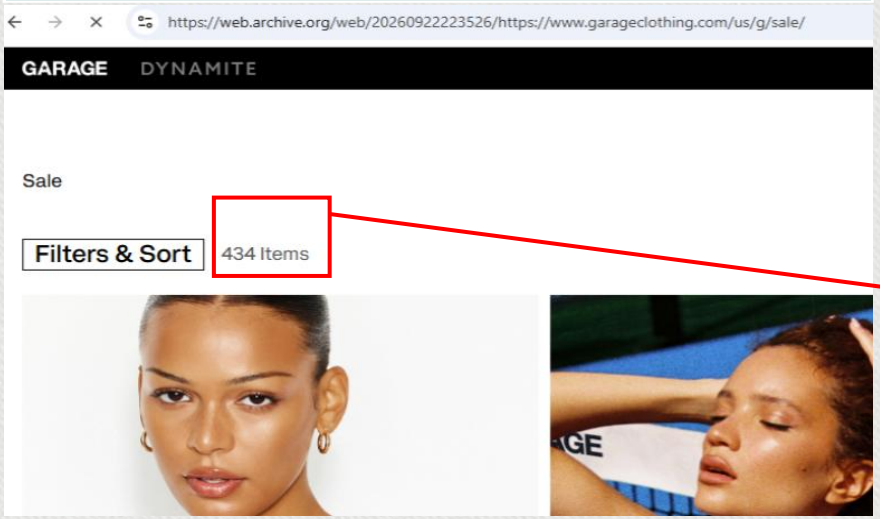
Considering the evidence showing inventory bloat and store openings behind schedule, the current consensus estimates for GRGD's gross margins in the coming two quarters have barely decreased at all. When we look at Garage's online sales page, we also observe a troubling increase of items from 434 to 516 (+19% increase). Current estimates appear to be aggressive.

2026 Q3E and Q4E Gross Margin Estimates

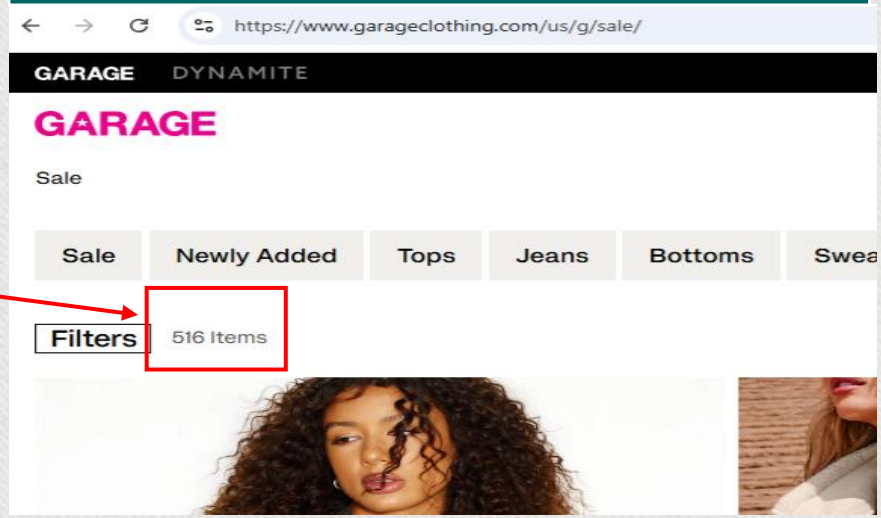
Time Frame	Estimate	%Chg from Dt
11) Current Estimate	66.685	0.00%
12) 1 Day Ago	66.688	0.00%
13) 1 Week Ago	66.724	-0.06%
14) 1 Month Ago	66.724	-0.06%
15) 3 Months Ago	66.630	0.08%
16) 6 Months Ago	66.442	0.36%
17) 12 Months Ago	62.583	6.55%

Time Frame	Estimate	%Chg from Dt
11) Current Estimate	63.378	0.00%
12) 1 Day Ago	63.376	0.00%
13) 1 Week Ago	63.404	-0.04%
14) 1 Month Ago	63.404	-0.04%
15) 3 Months Ago	63.409	-0.05%
16) 6 Months Ago	63.403	-0.04%
17) 12 Months Ago	59.636	6.27%

September 2026 Sale Items



Early November 2026 Sale Items



Source: Garage Sales (Wayback Machine)

SPRUCE POINT CAPITAL MANAGEMENT

Why Did GRGD Stop Disclosing Transactions?

We are concerned by GRGD's recent omissions of transactions processed in its FY25 Annual Information Form. The trend of revenue per transaction processed started to decline in FY24 and we are concerned that it may have continued in FY25.

C$ in mm (ex: rev / transaction)	FY23	FY24	FY25
Active Customers (millions) *% growth*	3.7 --	4.3 *16.2%*	4.9 *14.0%*
Millions of Transactions Processed *% growth*	11.0 --	13.7 *24.5%*	**Not Disclosed**
Revenue *% growth*	$800.8 *14.8%*	$958.5 *19.7%*	$1,310.2 *36.7%*
Revenue / Transaction Processed *% growth*	$72.8 --	$70.0 ***-3.9%***	**N.A.**

Source: Company filings

SPRUCE POINT CAPITAL MANAGEMENT

Social Media Influencer Growth Is Slowing, While Some Important Influencer Costs Are Rising

TikTok is a powerful platform for fashion brands to interact with influencers and customers. Based on our trend analysis of followers for GRGD's two brands, we believe growth trends have decelerated in 2026 with a substantial decline in follower growth at Dynamite. GRGD's target customers are Millennials and Gen Z which research has shown to have the weakest brand loyalty compared with other consumer cohorts.(1) Meanwhile, the costs being paid for micro-influencers is sharply rising 45-125%.(2)

Risk Factor

"In addition, we rely on grassroots marketing efforts to advertise our brands. These efforts include ***working with celebrity, micro- and nano-influencers*** *and college ambassadors chosen by us, whom we refer to as ambassadors, who assist us by introducing our brands and culture to the communities around our stores."*

TikTok: Dynamite Clothing

	6/5/23	4/21/24	6/9/25	11/7/26
Followers ('000)	39	51	90	122
% growth	--	*29%*	*79%*	*21%* ↓

TikTok: Garage Clothing

	8/4/23	4/14/24	6/8/25	11/7/26
Followers ('000)	187	219	359	*607*
% growth	--	*17%*	*64%*	*53%* ↓

Average TikTok Creator Price Per Post(2)

COHORT BY NUMBER OF FOLLOWERS	Q1 2025	Q1 2026	CHANGE
Nano (0–5K)	$255	$226	-11.4%
Micro-Low (5–15K)	$332	$482	45.2%
Micro-High (15–50K)	$406	$915	125.4%

Substantial Cost Increase For Micro

1) "*Brand loyalty is fading among Gen Z and millennials*", eMarketer, April 28, 2025
2) "*TikTok's Middle Class Is Gaining Power*", Business Insider, May 20, 2026

Source: Garage Clothing and Dynamite Clothing on TikTok and Wayback Machine.
Note: Measurement periods for growth are not exactly a year apart due to limitations of archiving dates.

SPRUCE POINT CAPITAL MANAGEMENT

Victoria's Secret's PINK Revamp Strategy Targeting GRGD's Demographic Appears To Be Working.....

Victoria's Secret (NYSE: VSXY) has a stated objective to revitalize its PINK brand targeting girls 18–24 years old (Garage's demographic) and it appears to be working. PINK's TikTok followers are +65% and likes + 95% yoy. PINK's new Soho, NYC store is next to Garage's and the recent opening has been so well received that management is looking to replicate its success.

VSXY Q1 and Q2'26 Comments on PINK

"I'm particularly encouraged that PINK is beginning to stand more clearly on its own. On top of that, collaborations and partnerships will continue to play a key role in creating excitement."

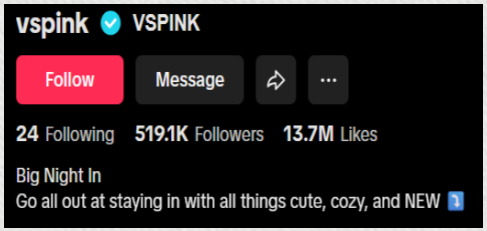
"Turning to our next pillar, recommitting to PINK. Over the past year, we have reset the foundation of the PINK brand. That work is now starting to translate into real momentum. PINK delivered low double-digit growth this quarter, driven by strength in core apparel and intimates and improved regular price selling."

"So the PINK Soho store has been tremendously successful. It is now our #1 PINK store. Again, it's only about 3 weeks."

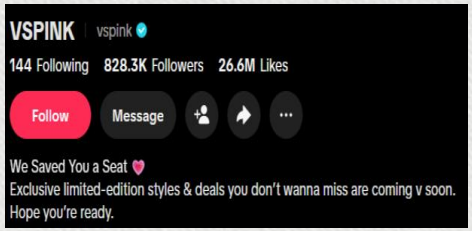
"We are taking what resonates in SoHo and thinking about how to apply those learnings more broadly across the fleet."

PINK's TikTok Followers & Likes +60% and +95%

Oct 2025



Nov 2026



New PINK Store vs. Garage Store: Soho, NYC





Sources: Pink TikTok (Wayback), VSXY Q1'26 conference call

PINK's App Activity Is Strong, Whereas Garage's Monthly Active User Growth Is Weak Recently

Victoria's Secret is experiencing strong app downloads over the past two quarters, led by PINK. Their apps now drive ~33% of digital sales vs. approximately 19% at GRGD. Based on data provided from Apptopia, we see that Garage's U.S. Monthly Active Users (MAU) growth has not recovered to 2025 levels and Q3 quarterly growth is below projected revenue growth

VSXY Comments On Mobile Apps

Q1'26 June 2, 2026

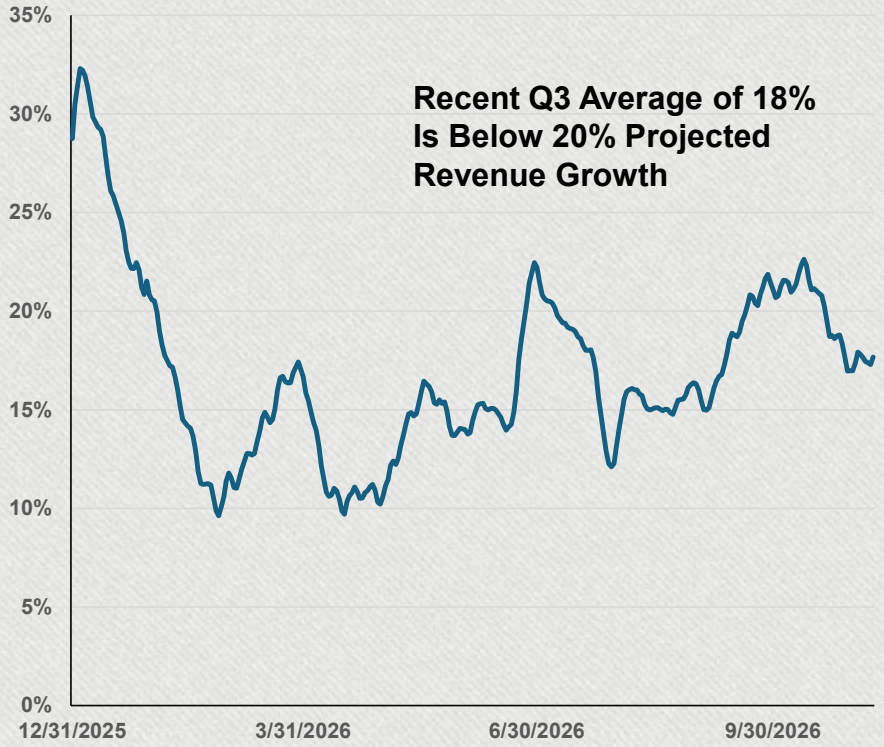
"So first and foremost, I believe that our content and the talent in our content really resonated with the customer. So let's start there. But then from there, we also really optimized our media mix and we saw the biggest growth coming out of paid both in social and search. ***And then I would also add, app downloads are up over about 50%, and that's a big driver of traffic as well****. And then finally, our community is powerful. Their voices and their testimonials of our product and our brand were 4x higher than last year. And that is -- we see that being a big driver."*

Q4'25, March 5, 2026

*"****PINK app downloads increased 50% in the quarter as customers sought early access to drops and exclusive product with downloads accelerating further following the Valentine's Day launch****. Importantly, PINK brand equity and consideration among 18- to 24-year-olds are at their highest levels in years."*

"In the fourth quarter, app downloads increased 25%, and ***our apps now drive approximately 1/3 of our digital sales****."*

Garage App: U.S. YoY Monthly Active Users (MAU)



MAU = Number of users who opened the app at least once in the last 30 days

Sources: Apptopia, VSXY Q1'26 and Q4'25 conference calls.

Is GRGD Losing Relevancy?

GRGD claims its marketing strategy is *"Always relevant"*. Perhaps, but it could be losing relevancy. We are troubled that it no longer provides details about the number of brand ambassadors or the billions of impressions reached from influencers.

IPO Nov 2024

- *Always relevant: Aimed at how we aspire to intersect our brands in the culture and lives of our customers.* Dedicated teams rigorously track key fashion, social and cultural moments and influences in our customers' lives aimed at ensuring that our brands are always on trend. We employ a strategic hierarchy of influencers and ambassadors to reach our customers. Our products have been featured and worn by prominent celebrities and cultural leaders like Addison Rae, Ariana Madix, Becky G, Chloe Bailey, Charli D'Amelio, Alex Cooper, Tezza Barton and Justine Skye, which drives brand relevancy. We then strategically activate other influencers to drive buzz around the brand, including an industry-leading associate ambassador program consisting of 69 members across North America as of July 2024, who drive localized relevance and store performance. Together, our brands drove nearly 1.5 billion impressions in earned reach(1) from celebrity, influencer and fan-driven content across social media in Fiscal 2023.

AIF April 2025

- *Always relevant: Aimed at how we aspire to intersect our brands in the culture and lives of our customers.* Dedicated teams rigorously track key fashion, social and cultural moments and influences in our customers' lives aimed at ensuring that our brands are always on trend. We employ a strategic hierarchy of influencers and ambassadors to reach our customers. Our products have been featured and worn by prominent celebrities and cultural leaders like Addison Rae, Ariana Madix, Becky G, Chloe Bailey, Charli D'Amelio, Alex Cooper, Tezza Barton, Justine Skye, Anastasia Karanikolaou, Victoria Villaroel, Hallie Batchelder, Cass DiMicco, Valeria Lipovetsky, Serena Kerrigan and Ashtin Earle, which drives brand relevancy. We then strategically activate other influencers to drive buzz around the brand, including an industry-leading associate ambassador program consisting of 86 members across North America as of February 1, 2025, who drive localized relevance and store performance. Together, our brands drove nearly 2 billion impressions in earned reach(1) from celebrity, influencer and fan-driven content across social media in Fiscal 2024.

Note:
(1) Impressions in earned reach exclude impressions from channels controlled or managed by the Company.

AIF March 2026

- *Always relevant — Aimed at how we aspire to intersect our brands in the culture and lives of our customers.* Dedicated teams rigorously track key fashion, social and cultural moments and influences in our customers' lives, aimed at ensuring that our brands are always on trend. We employ a strategic hierarchy of influencers and ambassadors to reach our customers. Our products have been featured and worn by prominent celebrities and cultural leaders, which drives brand relevancy. We then strategically activate other influencers to drive buzz around the brand, including an industry-leading associate ambassador program, which drives localized relevance and store performance.

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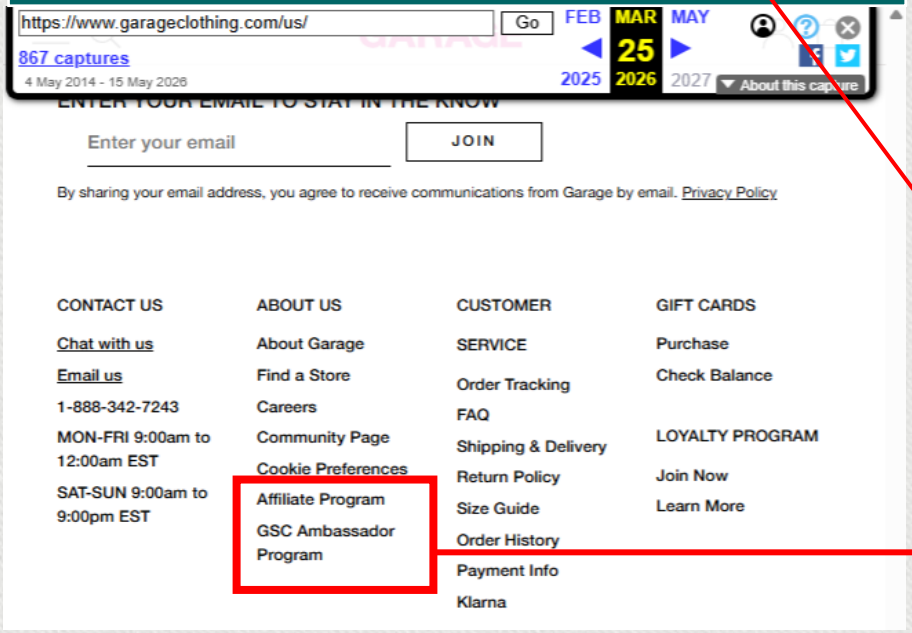
Source: Company filings, Spruce Point red emphasis.

GRGD Restructured Its Affiliate And Ambassador Programs

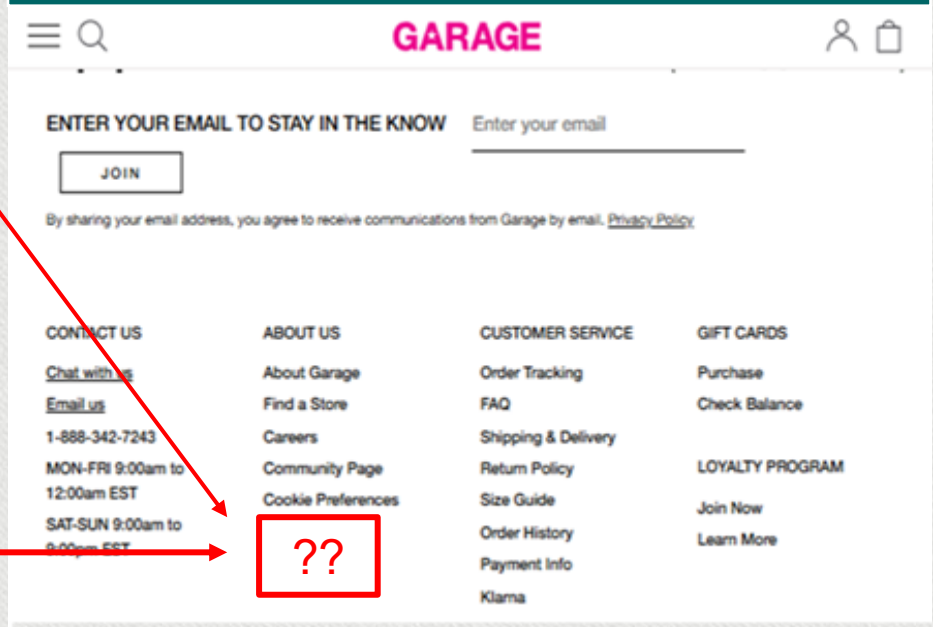
GRGD appears to have scrapped or restructured its Affiliate and Ambassador programs to incentivize micro-influencers with 3,000 followers or more to link to their website and earn commission. We find from the below images that the programs were removed from Garage's website index recently and the Garage Affiliate and Garage Ambassador program weblinks are not active. There is now a recently launched Garage Social Club.

COO Beaver April 1, 2026	*"As I just said, social is working really well, influencer really working very well,* ***our ambassador program is working very well****."*
COO Beaver June 21, 2026	*"The Garage community continues to grow, supported by* ***strong engagement across our ambassadors, influencers, and other social programs****."*

Garage Affiliate and Ambassador Program (Mar '26)



Garage Affiliate and Ambassador Program (Today)



Sources: Garage website and Wayback Machine, Garage Social Club, FY25 earnings call.

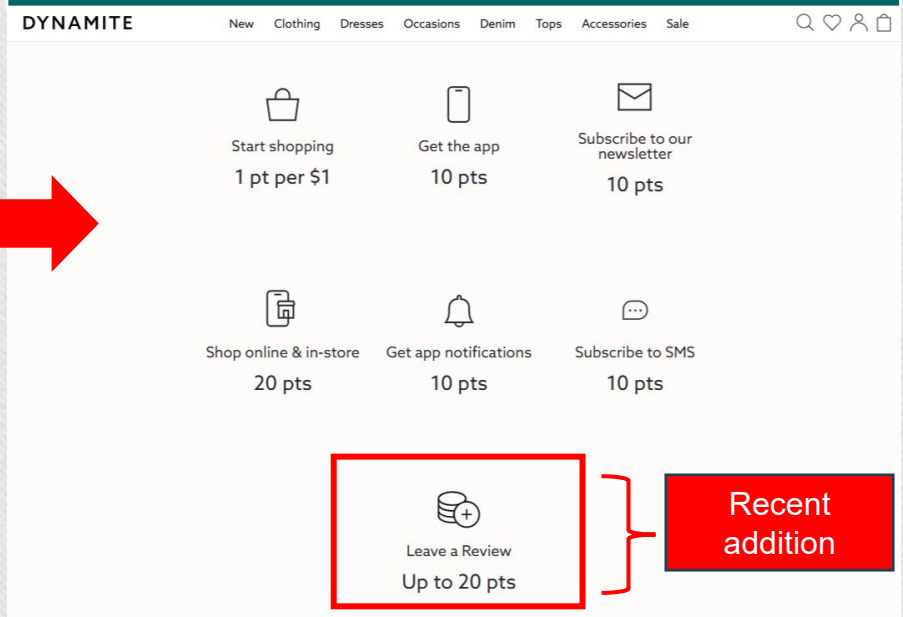
Loyalty Accruals And Deferred Revenue Analysis Signals Problems

Loyalty programs are not a new concept in retail to encourage repeat purchases. However, we see that GRGD has significantly grown its accrual for Loyalty Points within deferred revenue. **In fact, GRGD recently added a large point reward for leaving a review, which could indicate that it is facing greater online criticism or competing more intensely for eyeballs**. Moreover, the Company stopped disclosing the amount of deferred revenue recognized in revenue from the beginning of the year. This could indicate that customers are abandoning gift cards and/or not redeeming loyalty points because they simply are no longer engaging with the products. **More recently, the loyalty page for Dynamite has recently been completely taken down**.

Deferred Revenue Analysis

C$ in mm	FY23	FY24	FY25
Unredeemed Gift Cards *% growth*	$11.1 *4%*	$12.5 *12%*	$15.3 *23%*
Loyalty Points ***% growth***	**$1.7** ***180%***	**$5.6** ***222%***	**$12.2** ***117%***
Online Sales in Transit *% growth*	$0.8 *-14%*	$0.9 *18%*	$1.4 *52%*
Total Deferred Revenue ***% growth***	**$13.6** ***12%***	**$19.0** ***39%***	**$28.8** ***52%***
Amount of Deferred Revenue Recognized From Beginning of Year	$6.1	$8.5	**No Longer Disclosed**

Large New Reward Added For Leaving A Review



For the year ended February 1, 2025, $8,463 ($6,146 for the year ended February 3, 2024) of revenue was realized in relation to the deferred revenue balance outstanding at the beginning of the year.

Source: Company filings and Current Dynamite Loyalty webpage and Wayback Machine (loyalty)

Customer Lifetime Value No Longer Relevant?

We are troubled by GRGD's recent omission of *"Customer lifetime value"* as a key performance indicator. GRGD also stopped disclosing what percentage of identifiable customers were omnichannel.

Key Items In Red No Longer Disclosed In The Recent AIF

Customer lifetime value is calculated as the average annual revenue per customer during the prior 12-month period divided by the customer churn rate (being the number of customers who have not shopped during the prior 12-month period / the number of active customers 12 months ago). This metric provides an estimate of the revenue generated by our repeat customers.

5. Omnichannel Go-to-Market Platform Powered by Proprietary Business Intelligence

We are obsessed with providing her a frictionless, multichannel shopping experience across brand interactions. We leverage both our physical store base and e-commerce sites to create an omnichannel customer experience with an integrated platform that allows our customers to transition seamlessly across channels and maintain a curated and personalized shopping experience. Between Fiscal 2019[(1)] and Fiscal 2024, we have observed an increase of over 117% in revenue from our e-commerce channel, with online revenue comprising approximately 18% of total revenue in Fiscal 2024. This growth has been achieved through several initiatives, including employing in-store brand ambassadors and stylists to direct customers online for additional sizes and styles, and optimizing our website experience by increasing site speed, streamlining the checkout process and shipping options, and providing product reviews. During Fiscal 2024, approximately 20% of our identifiable customers were omnichannel shoppers[(2)] and they generated approximately 40% of revenue from identifiable customers, due to their higher customer lifetime value[(3)] and purchase frequency.

Source: Company filings and Spruce Point red emphasis.

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD's Push Toward Greater E-Commerce Penetration Has Negative Side Effects

Online sales account for approximately 19% of FY25 total sales, with the Company saying it wants to increase penetration to 25% of total sales in the long-term *"while maintaining or improving the profitability of the ecom channel"*. This subtle language was just included in the April 1st year end call.(1) According to a former GRGD executive interviewed by AlphaSense, e-commerce is bringing margins down. The other side effect is that research indicates consumers spend more in-store through add-on or impulse purchases.(2)

65% of E-Commerce Fulfilled At Stores (Up From 60% In FY24)

In Fiscal 2025, approximately 65% of e-commerce orders were shipped from our physical stores, and inventory turnover(2), calculated as dividing the cost of sales during the period by the average inventory during that period, increased to approximately 9.85x in Fiscal 2025 from approximately 6.9x in Fiscal 2021.

Spending In-store vs. Online

"A recent consumer survey about shopping habits, purchase behavior and influences driving decisions found that 71% of respondents (72% of men; 70% of women) typically spend more than $50 when shopping in-store. In contrast, only 54% of respondents (59% of men; 49% of women) are spending more than $50 when shopping online."

Former GRGD Executive on E-Commerce Sales

*"**I think e-comm is also, so that's bringing definitely margins down just based on the way it happens**. Actually, an interesting perspective with that is for us, there was a lot of store-fulfilled orders. Actually, they were coming at the detriment of some stores because as they are fulfilled from the store and the inventory is already very tight, which also explains why they don't have to go into markdowns anymore, if I send to the store six item size of a SKU and three get bought online, it's a lower margin and my store only has three that they can sell, so people coming in for the collection or something are already limited. We had seen that kind of limitation playing and then the experience."*

AlphaSense, February 3, 2026 and Company filings.

1) April 2026 conference call.
2) "*The State of Consumer Spending: In-Store Impulse Shopping Stands The Test of Time* ", First Insight research

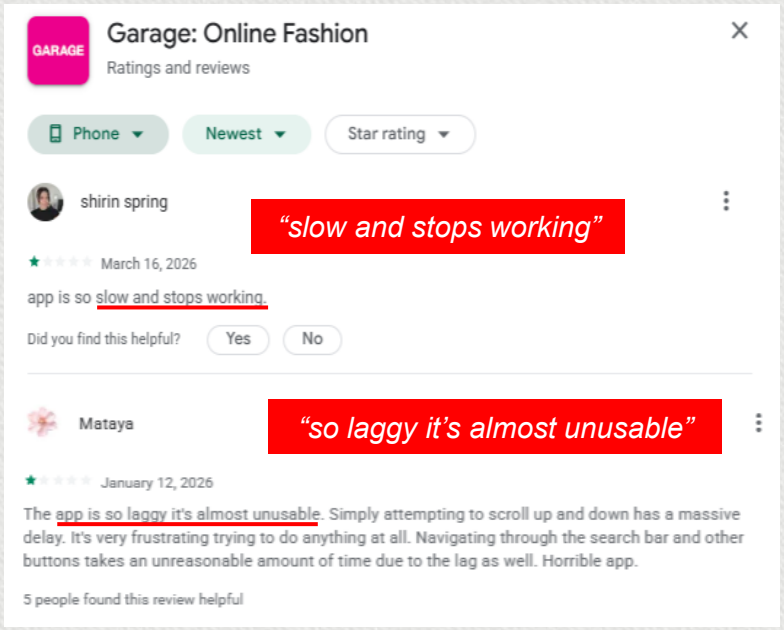
SPRUCE POINT CAPITAL MANAGEMENT

Did GRGD Fix Its Customer Digital Experience As It Recently Claimed?

One of the key growth objectives for GRGD's e-commerce according to the IPO prospectus was, *"Transforming our mobile app and user interface—We plan to redesign our mobile app for better content optimization, personalization, performance, and a store mode."* The COO's recent comments reflect progress, but recent reviews in the app store say otherwise.

COO Beaver Conference Call Comments	
Dec 2024	*"I would say, or reflect on 2024 and say **we really fixed the plumbing** as far as our ecommerce network, improving our speed, offering new payment options online, **integrating a new mobile partner**, and for 2025 we really want to bring in some more customer experiential newness to the site."*
April 2026	*"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."*

Recent Google Reviews Express Problems





Source: Company conference calls, Google Reviews and Spruce Point red emphasis.

More Problematic App Reviews

Recent Apple reviews also reflect a sense of frustration with the mobile app performance and experience.

Apple Online Reviews

PLEASE FIX THE APP — 11/26/2025 — Ally0Rae
★★★★☆
I love garage SO much. It is literally my favorite clothing store to exist. That being sad, the app IS TERRIBLE! The search engine is trash and doesn't give results for what you're lo more
Developer Response
Hi! We're really sorry for the inconvenience. Our team is more

Good but could use tweaking — 11/25/2025 — annie pacchiana
★★★☆☆
Love the clothes so much, great quality and very stylish. They always have what I'm looking for. However the app could use a bit of fixing. It always logs me out for no reason and anot more
Developer Response
Hey, thank you for bringing this to our attention! We're ac more

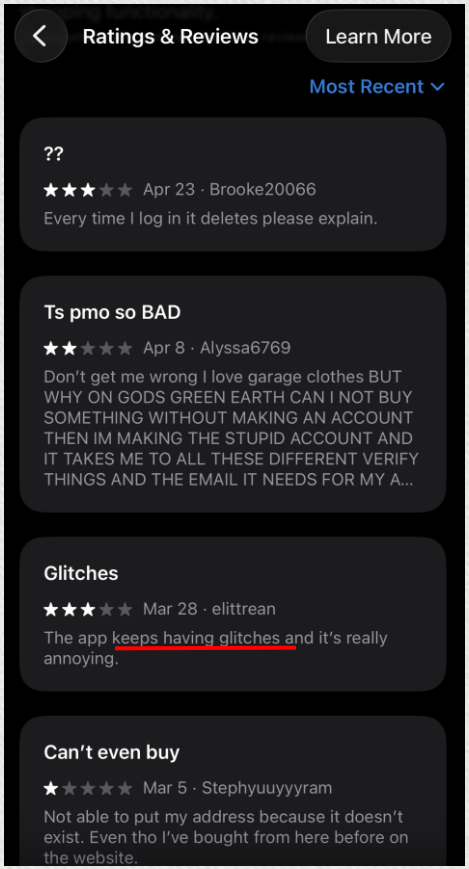
Won't let me Order — Feb 22 — taylorurzua
★★☆☆☆
I tried to order and it said "card error" but still charged me three times on my bank account with no actual order going through. I thought since maybe I wasn't on WiFi that's why it didn't go through. Once I tried again a week later and on WiFi it still said the same "card error" notification. I also tried more

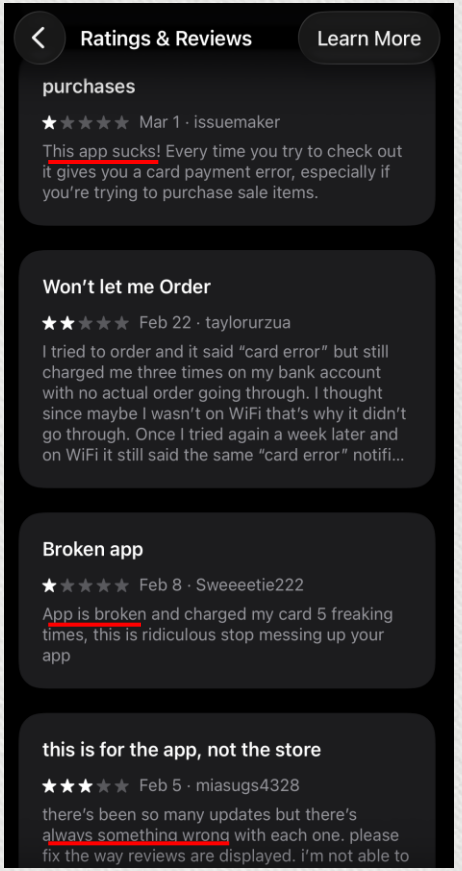
Great clothes, but frustrating app — 12/16/2025 — TeenyMouse04
★☆☆☆☆
The clothes are really cute and good quality, but they are definitely expensive... I spent about $160 on just three items. Even so, I really love what I purchased.The main issue I had was with the rewards account and app. I signed up in-store and then logged in on my phone, but I can't even fully log more

Super slow — Aug 7 — Luvemilyy
★★★☆☆
Don't have anything negative to say about the brand itself — I love all the clothes — but the app is super slow. Not sure if it's a problem on my end, though my device is fully updated, but it's just so laggy and glitchy. The ui's don't load and the buttons are super delayed. I've tried on more

Be warned — Jul 28 — Anonymous....sss
★★★☆☆
So I loved this store and I really want to buy more clothes but since they have grown their company has decreased in quality of clothes, and shipping and ordering online is sometimes questionable. Well anyways I tired to delate my account, and you can't even, which is odd. You have more

Apple Mobile Reviews





Source: Apple reviews online and mobile, Spruce Point red emphasis.

SPRUCE POINT CAPITAL MANAGEMENT

Unusual Receivables Activity Could Indicate Problems and/or Pressures

The third quarter is historically the second strongest quarter following the fourth quarter which corresponds to back-to-school and the holiday season. It is for this reason we were surprised to see a significant drop in receivables, notably credit card receivables, which declined -48% Q2/Q3'25 QoQ. This occurred while the online segment grew share against the retail channel. We would expect the online segment to account for a much higher percentage of credit card transactions vs. in-store retail purchases where cash and checks can be used. More recently, online sales growth has lagged retail sales growth even with online sales having a much smaller base. Days sales outstanding has rapidly increased which can slow down cash collection, and lower margins can occur from more credit card fees charged, all else equal. Q2 2026 credit card receivables to total sales hit a high of 5.48%.

Quarterly Revenue and Receivables Analysis

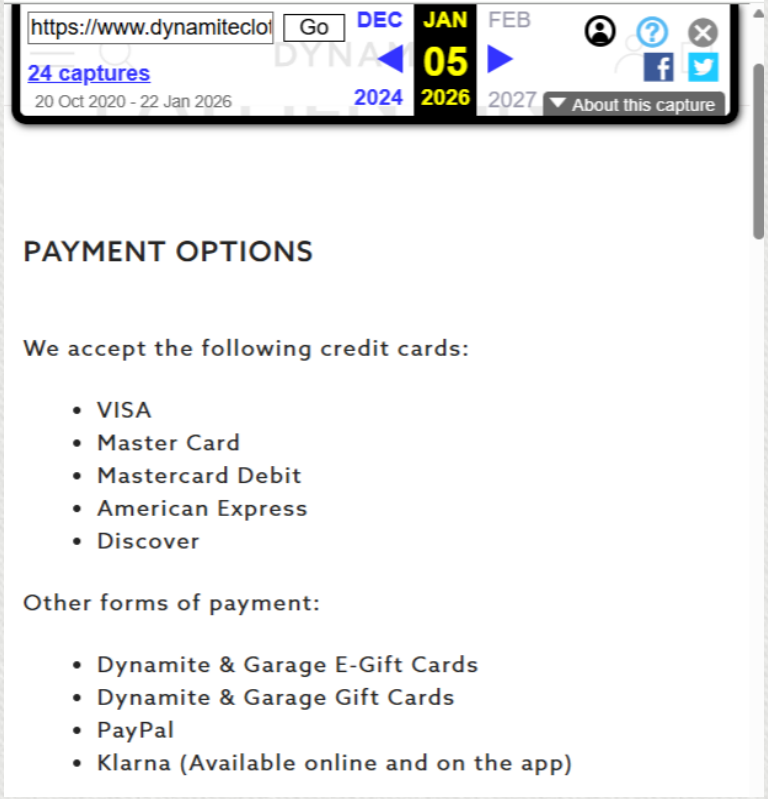
C$ in mm	Q1 5/3/25	Q2 8/2/25	Q3 11/1/25	Q4 1/31/26	Q1 5/2/26	Q2 8/1/26
Retail	$189.4	$279.7	$299.7	$293.6	$260.0	$362.2
% QoQ growth	*-9.9%*	*47.7%*	*7.2%*	*-2.1%*	*-11.5%*	*39.4%*
Online	$37.3	$46.7	$63.2	$100.6	$50.6	$61.4
% QoQ growth	*-39.5%*	*25.5%*	*35.3%*	*59.1%*	*-49.7%*	*21.3%*
Total Revenue	**$226.7**	**$326.4**	**$363.0**	**$394.2**	**$310.6**	**$423.6**
% QoQ growth	*-16.6%*	*44.0%*	*11.2%*	*8.6%*	*-21.2%*	*36.4%*
Revenue Mix %						
Retail	*83.6%*	*85.7%*	*82.6%*	*74.5%*	*83.7%*	*85.5%*
Online	*16.4%*	*14.3%*	*17.4%*	*25.5%*	*16.3%*	*14.5%*
Credit Cards Receivables	$10.4	$16.7	$8.7	$9.7	$13.2	$23.2
% of sales	*4.60%*	*5.11%*	*2.40%*	*2.46%*	*4.25%*	***5.48%***
% QoQ growth	*55.6%*	*60.2%*	***-47.8%***	*11.4%*	*36.2%*	*75.5%*
Trade and Other Receivables	$7.2	$8.1	$9.6	$11.1	$11.3	$14.6
% QoQ growth	*35.8%*	*11.9%*	*18.6%*	*16.0%*	*1.4%*	*29.7%*
Days Sales Outstanding (cr. card)	n.a.	n.a	n.a	2.3x	3.1x	4.9x
Days Sales Outstanding (total)				4.6x	5.5x	7.6x

Sources: Company reports and Spruce Point analysis.

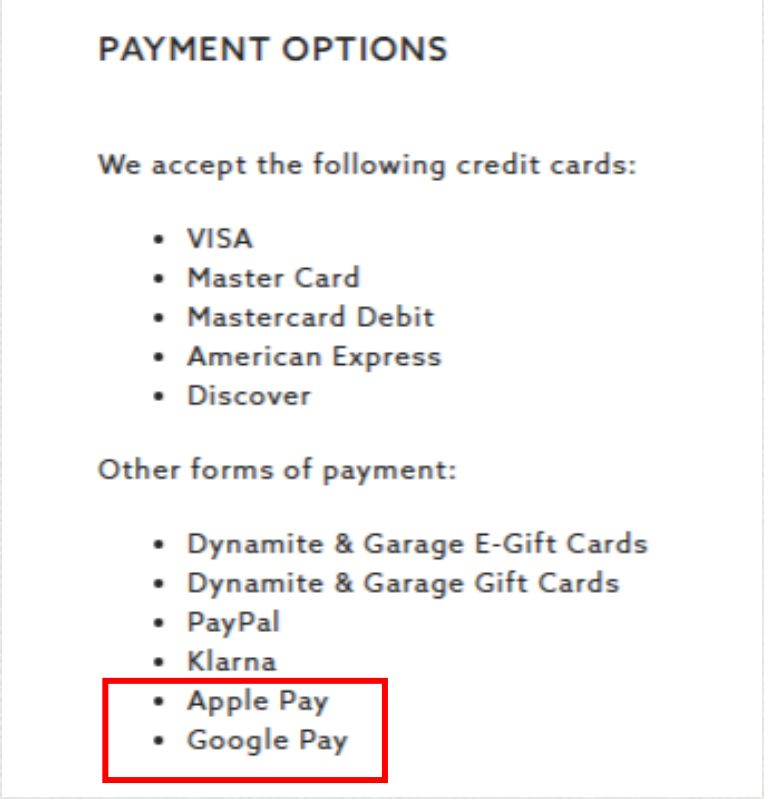
Expanding Payment Options In 2026 Could Be A Result of Customer Payment Friction

GRGD recently expanded payment options to include Apple and Google Pay despite these payment methods being introduced well over seven years ago. While this seems beneficial at first glance, the historical exclusion of these payment options may have already done irreversible harm in driving away potential customers that may never return. Research indicates that 42% of consumers stop a purchase if their preferred payment method is not available. Moreover, Millennials are the least tolerant of complicated checkout processes, with 53% agreeing they would be quick to abandon their purchases.(1)

Previous Payments Options



Updated Payment Options

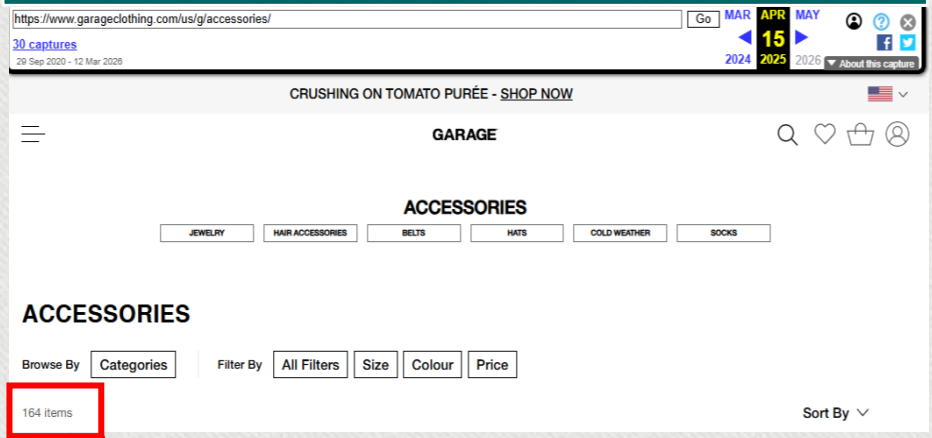


1) *"Retailers risk losing customers"*, Ppro.com
Sources: Payment options (and Wayback Machine), Spruce Point red emphasis.

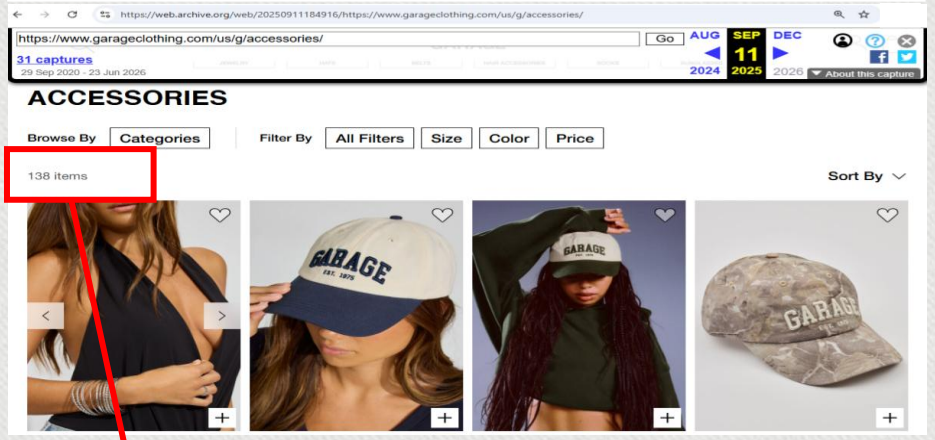
Fewer High Margin Accessories For Sale At Garage

Spruce Point observes that Garage has materially shrunk the number of Accessories it offers from 164 in April 2025 to just 76 items today. A former GRGD executive told us that accessories generally carry higher margins than clothing.

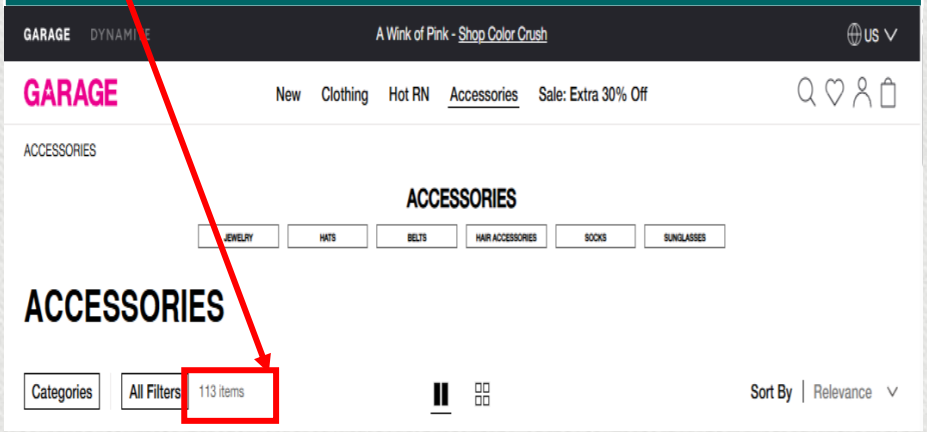
Garage: April 2025



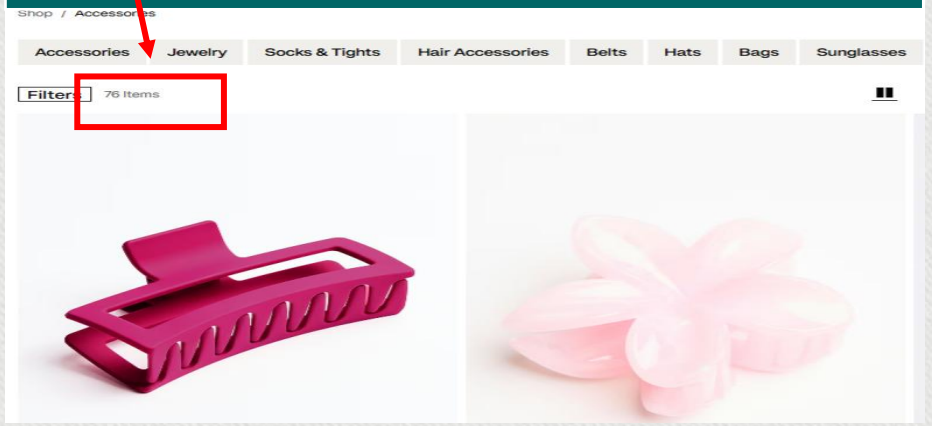
Garage: September 2025



Garage: April 2026



Garage: November 2026



Sources: Garage website and Wayback Machine. Spruce Point research.

SPRUCE POINT CAPITAL MANAGEMENT

GRGD Recently Raised Shipping Costs Even With A New U.S. Distribution Center And Remains Off-Market

Spruce Point finds that GRGD recently raised the minimum order threshold from $60 to $75 to receive free standard shipping. Shipping fees charged to customers directly benefit revenue. While we certainly understand that oil prices and the Mideast conflict have raised costs, it seems that its competitors still offer vastly superior shipping terms. GRGD is worsening its shipping terms despite the benefit of having a U.S. distribution facility which it said would reduce supply chain inefficiencies.

Free Shipping On Orders $50+ Details

URBAN OUTFITTERS

THE LONG WEEKEND SALE: UP TO 50% OFF & FREE SHIPPING SITEWIDE SHOP MEN SHOP WOMEN SHOP KIDS

PACSUN

FREE SHIPPING ON ORDERS OVER $50

PRINCESS POLLY

Free Standard Shipping & Handling on All Orders Over $59!^

HOLLISTER New Women's Men's

Shipping Options

Enjoy free standard shipping on all orders within the US when signed into your Aritzia account.

H&M

FREE STANDARD SHIPPING OVER $50 FOR H&M MEMBERS $6.99 BELOW $50

SHEIN

Standard Shipping	$3.99-spend below $29.00 Free - orders over $29.00

GARAGE

Shipping Method	Order Threshold	Cost	Timing
Standard	Orders $75 & Up	FREE	2-5 Business Days

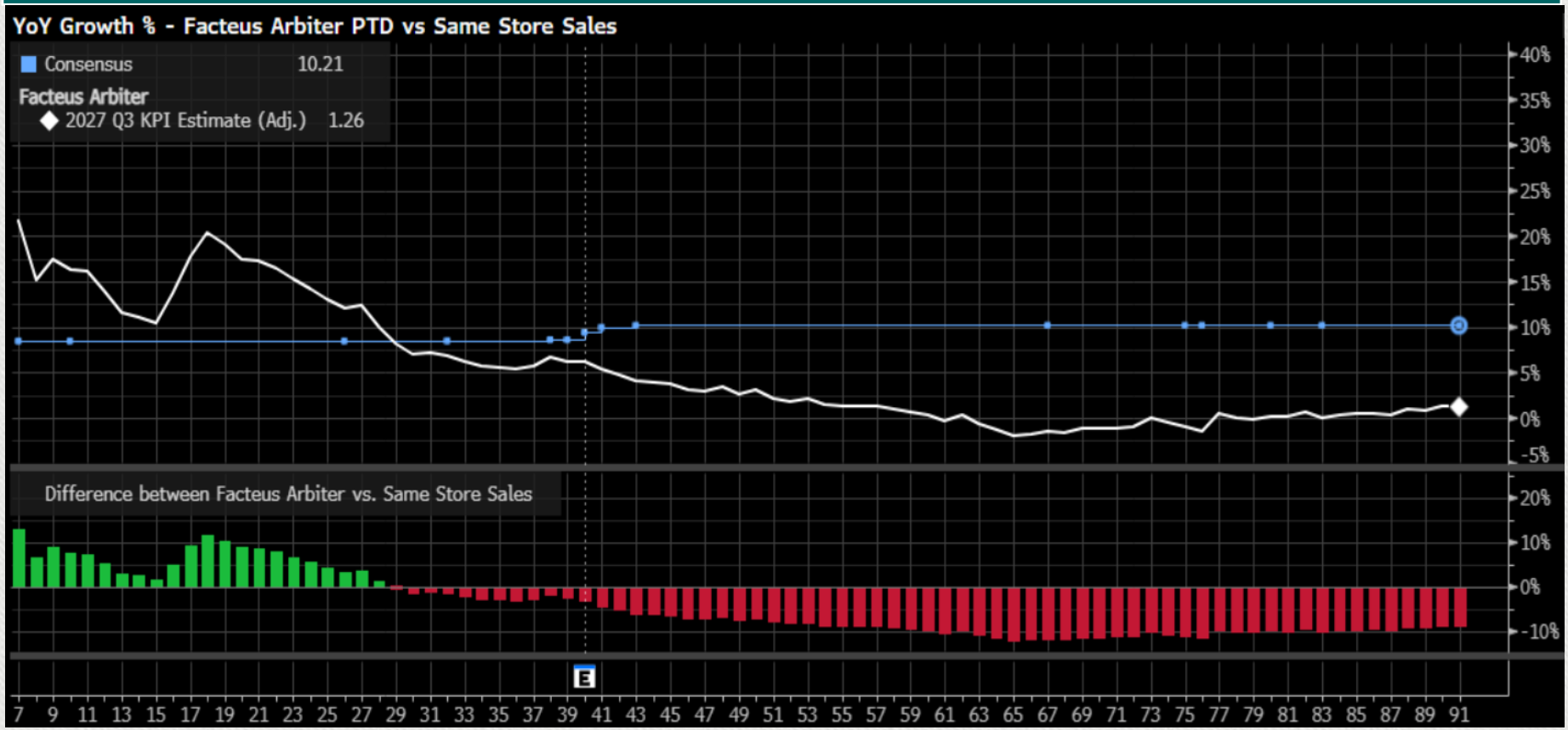
Source: Company websites. Garage shipping Today vs. Feb 2026

SPRUCE POINT CAPITAL MANAGEMENT

Credit Card Data Points To Weakness In The Upcoming Quarter

Based on Facteus Arbiter dataset, a U.S. consumer spending data provider leveraging 120 million cardholders with a 1-day lag, we see that transaction spend used as an input to estimate Same Store Sales, has been trending significantly below consensus in Q3 2026.

Quarter-to-Date Transaction Spend



Sources: Bloomberg, Facteus Arbiter, includes online and in-store of both brands.

SPRUCE POINT CAPITAL MANAGEMENT

Recent Website Traffic Shows Year-Over-Year Growth Deceleration

Similarweb data on all traffic website visits for both Dynamite and Garage brands showed early y-o-y growth improvements in early August. However, in September and October the growth rates decelerated.

Total Site Visits (millions)				
Website	**Year**	**Month**	**Total Site Visits**	**YoY Growth**
GarageClothing.com	2024	August	2.714	n.a.
	2024	September	2.246	n.a.
	2024	October	2.268	n.a.
	2025	August	2.965	9.2%
	2025	September	2.669	18.8%
	2025	October	2.803	23.6%
	2026	August	3.711	25.2% ↑
	2026	September	3.095	16.4% ↓
	2026	October	3.314	18.2% ↓
DynamiteClothing.com	2024	August	1.523	n.a.
	2024	September	1.285	n.a.
	2024	October	1.417	n.a.
	2025	August	1.578	3.6%
	2025	September	1.664	29.5%
	2025	October	1.646	16.2%
	2026	August	1.827	15.8% ↑
	2026	September	1.922	15.5% ↓
	2026	October	1.756	6.7% ↓

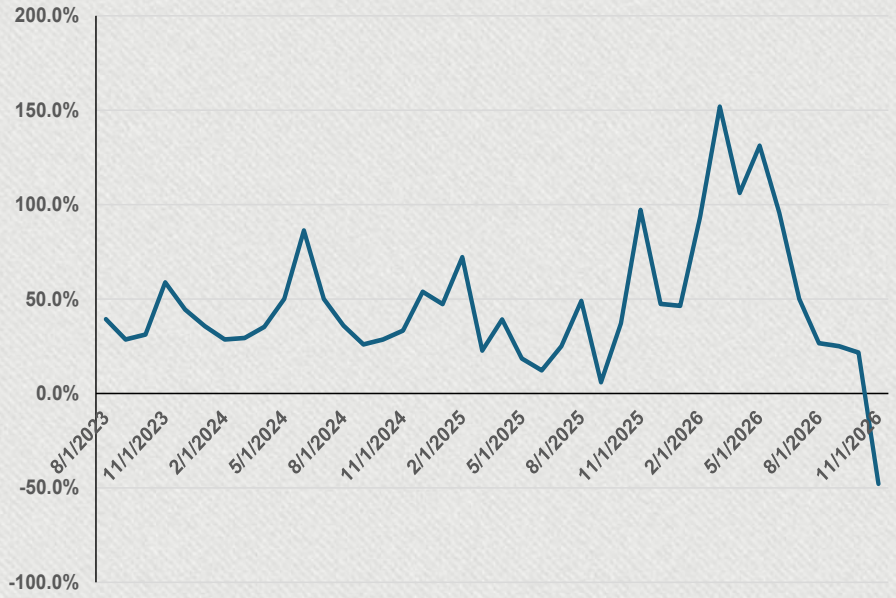
Sources: Similarweb

Google Search Interest Shows Meaningful Decline

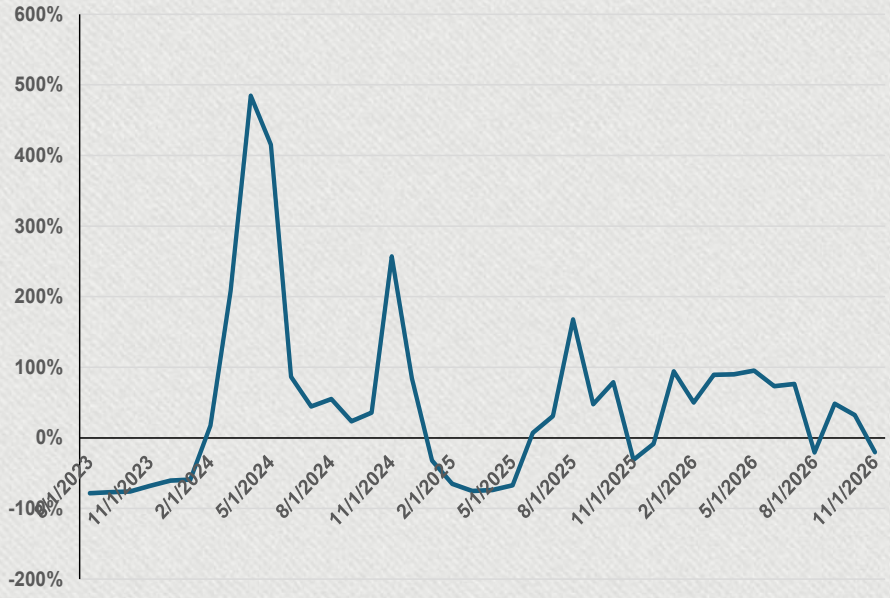
Google search data corroborates the trends of deceleration in consumer interest for GRGD's key Garage brand. We see a notable recent trop off in the search term "Garage Clothing Store Near Me".

Google Search Interest – YoY Change

"Garage Clothing Store Near Me"



"Garage (Clothing Retailer)"



Sources: Google Trends (Garage, Garage Clothing Store Near Me)

SPRUCE POINT CAPITAL MANAGEMENT

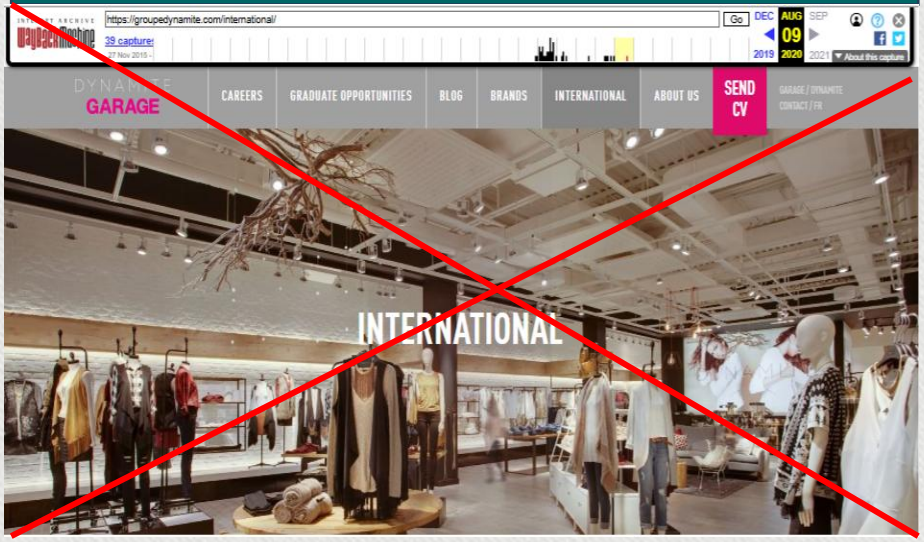
Investors Are Likely To Be Disappointed By GRGD's International Expansion Story

GRGD is talking up international expansion opportunities but with limited specifics beyond five U.K. store openings in FY26. The evidence points to disappointing results from prior international expansion efforts with the Company even retracting its International webpage after 2020. A former executive pointed to greater price and quality competition abroad and higher ESG requirements.

CEO On International Growth: April 1, 2026

*"Listen, so regarding the U.K. in '27, I don't want to -- 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 U.S.A. in a good way, maybe better. So there's lots of opportunity**, and we're -- listen, 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."*

GRGD Stopped Promoting International After 2020



Former Executive Comments on International

"Yeah. I would watch that {in response to a statement about opening 5 stores in the U.K.}. That's really telling. Have they been able to mature to understand we can't just rinse and repeat North America outside, or is it still a posterior bit of, "No, we're that good and we can do and people will come?" I think that's really the question mark there."

*"**Another side for international is all the ESG and all of that**. I know in America, it's of died down, but if they look at Europe, they were not very strong there. Some components to keep in mind, again, everything from pipeline, the fabric, where is it sourced from, how are we monitoring all of that, I would say those are the last points."*

*"Yeah. This one, I would be very curious about the strategy and pricing and positioning because when I had joined, they had done an initiative that was not store-based but online about just opening the market for shipping. It was France, U.K., and Australia. If people order, we ship to them and they're indexed on pricing similar to the U.S., I would say. That really was not an analysis of the market. **Europe is a lot more competitive. They have a lot better quality product in terms of fabric and what they have in the product at very much lower pricing. When we had compared, we looked at it when I joined and then we shut down the initiative because it really didn't make sense and we were not competitive with the product, the pricing, all of that**. Now, that's one thing I would keep in mind looking at the store to see because Canada, U.S., we know culturally very close, less competition, especially with the Garage fashion side. There's not that many competitors, so easier market, very similar. Just open the stores, push a bit of the same, and it's happening. U.K. is probably the closest in terms of culture in Europe but still very different landscape."*

Source: AlphaSense Interview, January 20, 2026, Wayback Machine and FY25 Conference Call.



Non-Standard Reporting for CSS, Gross Margin, Inventory And Leases Have Us Worried About Financial Reporting Quality

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GRGD's Comparable Store Sales Definition Is Not Consistent With Retail Industry Peers By Excluding E-Commerce / Digital Sales

GRGD has a non-standard way of reporting *"Comparable store sales"* by excluding digital / e-commerce sales. In Fiscal 2025, ~65% of e-commerce orders were shipped from GRGD's physical stores, so in our opinion, it is vastly important for evaluating comparable store sales performance.

How, when it excludes e-commerce sales?

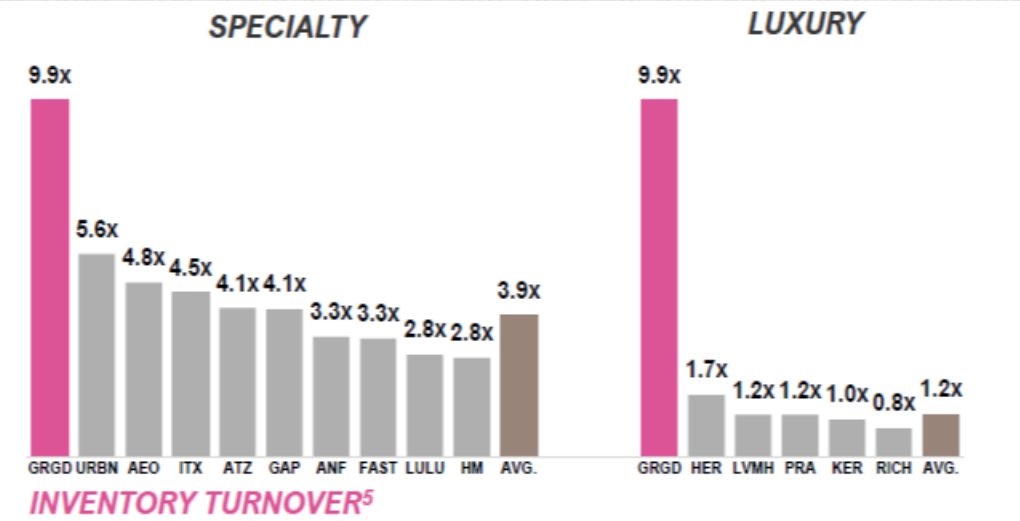
Groupe Dynamite	*"Comparable store sales represent sales of retail stores relative to sales for the same period in the prior fiscal year. It provides insight on the performance of our portfolio of retail stores, hence on the success of our real estate strategy. **We believe that the presentation of the comparable store sales metric contributes to the comparability of our performance with that of issuers operating in our industry**. Stores must be open for at least 12 months and must not have been subject to any significant change in square footage to be comparable. A significant change in square footage means an increase or decrease by 20% of the total square footage."*
Aritzia	*"Comparable sales is a retail industry metric used to explain our **total combined revenue growth (decline) (in absolute dollars or percentage terms) in Digital and established boutiques** over the comparative reportable period. This is a useful measure of sales performance as it improves the comparability of our net revenue over time. Comparable sales is defined as sales from established boutiques and is calculated based on revenue from boutiques that have been opened for at least 56 weeks, and excludes boutiques that were repositioned, boutiques in centres where we opened a new additional boutique and boutiques significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales calculation excludes the impact of foreign currency fluctuations as we believe that it is less susceptible to variances driven by factors that do not reflect our performance."*
Lululemon	*"Comparable sales includes comparable company-operated store **and all e-commerce net revenue. E-commerce net revenue includes buy online pick up in store, back-back room, and ship from store net revenue in addition to our websites, other region-specific websites, third-party online marketplaces, and mobile apps…C**omparable company-operated stores have been open, or open after being significantly expanded, for at least 12 full fiscal months."*
Urban Outfitters	*"Our comparable Retail segment net sales data is equal to the sum of our comparable store **and comparable digital channel net sales**. A store is considered to be comparable if it has been open at least 12 full months, unless it was materially expanded or remodeled within that year or was not otherwise operating at its full capacity within that year due to store specific closures from events such as damage from fire, flood and natural weather events. A digital channel is considered to be comparable if it has been operational for at least 12 full months."*
American Eagle	*"Comparable sales and comparable sales changes provide a measure of sales growth for stores and channels open at least one year over the comparable prior year period. In fiscal years following those with 53 weeks, the prior year period is shifted by one week to compare similar calendar weeks. A store is included in comparable sales in the 13th month of operation. However, stores that have a gross square footage change of 25% or greater due to a remodel are removed from the comparable sales base, but are included in total sales. These stores are returned to the comparable sales base in the 13th month following the remodel. Sales from American Eagle, Aerie, Todd Snyder, and Unsubscribed stores, **as well as sales from AEO Direct and other digital channels, are included in total comparable sales**."*
Gap	*"Comp Sales include the results of Company-operated stores **and sales through our online channel**. The calculation of Comp Sales excludes the results of the franchise and licensing business. A store is included in the Comp Sales calculations when it has been open and operated by the Company for at least one year and the selling square footage has not changed by 15 percent or more within the past year."*
Canada Goose	*DTC comparable sales (decline) growth is a supplementary financial measure defined as a rate of growth/decline of sales on a constant currency basis **from e-Commerce sites** and stores which have been operating for one full year (12 successive fiscal months). The measure excludes store sales from both periods for the specific trading days when the stores were closed, whether those closures occurred in the current period or the comparative period."*

Sources: GRGD filings and other company filings.

Inventory Turnover Dwarfs Peers, But Disclosure Quality Is Subpar

GRGD promotes its industry leading inventory turnover. However, we point out that it only includes public companies and does not show fast growing and leading private players such as Shein, Temu, Fashion Nova, and Mango. We also take issue with GRGD's inventory reporting, which was cited as a *"Key Audit Matter"*. The Company only provides ending total inventory and the write-down value amount which we analyze later in the report vs. Aritzia and Lululemon which have expanded disclosures.

GRGD Promotes Industry Leading Inventory Turnover, But Provides Less Financial Reporting Transparency…



[5]*Inventory Turnover calculated as LTM Total Cost of Sales/Average Inventory for the period*

GDI | DYNAMITE GARAGE

During the year ended January 31, 2026, the Company recorded a write-down to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of $2,500 ($929 for the year ended February 1, 2025). No inventory adjustments recognized in previous periods were reversed.

lululemon

Note 4. Inventories

	February 1, 2026	February 2, 2025
	(In thousands)	
Inventories, at cost	$ 1,789,576	$ 1,526,055
Inventory provisions and reserves:		
Obsolescence provision	(52,646)	(45,840)
Damages provision	(34,450)	(36,416)
Shrink provision	(1,727)	(1,718)
	(88,823)	(83,974)
Inventories	$ 1,700,753	$ 1,442,081

ARITZIA

5 Inventory

	March 1, 2026	March 2, 2025
Finished goods	$ 362,344	$ 310,234
Finished goods-in-transit	125,527	64,469
Raw materials	7,326	4,613
Inventory	$ 495,197	$ 379,316

Sources: FY25 Company presentation, LULU and ATZ financials.

SPRUCE POINT CAPITAL MANAGEMENT

Lack of Inventory Breakdown And Change of Inventory Discussion

It also caught our attention that in the recent quarter, GRGD modified its inventory discussion to remove how it is classified which has us concerned it may have altered its reporting or accounting practices. Moreover, GRGD has never actually provided footnote disclosure in the financial statements detailing the split between finished goods and finished goods in transit.

Q1 2026

Inventories

Inventory, consisting of finished goods and finished goods that are currently in transit, is stated at the lower of cost and net realizable value. The use of proprietary business intelligence allows us to efficiently allocate inventory and to optimize our omnichannel operating model. We minimize our inventory costs through our agile product development and strategic sourcing capabilities which adjust production output to match demand fluctuations. As a result, we have achieved an inventory turnover ratio of 9.69x as of May 2, 2026, compared to 8.50x as of May 3, 2025, highlighting the effectiveness of our inventory management practices.

Q2 2026

Inventories **Removed**

The use of proprietary business intelligence allows us to efficiently allocate inventory and to optimize our omnichannel operating model. We minimize our inventory costs through our agile product development and strategic sourcing capabilities which adjust production output to match demand fluctuations. As a result, we have achieved an inventory turnover ratio of 7.72x as at August 1, 2026, compared to 7.25x as at August 2, 2025, highlighting the effectiveness of our inventory management practices.

Sources: Company MD&A reports, Spruce Point red emphasis.

SPRUCE POINT CAPITAL MANAGEMENT

We Do Not Believe GRGD's Inventory Turnover or Gross Margin Is Presented On An Apples-to-Apples Basis With Industry Peers

It caught our attention that after GRGD's IPO prospectus, it added a new disclosure that credit card fees are within Cost of Sales. The effect of this classification would increase inventory turnover (= Cost of Sales / Average Inventory). On the other hand, GRGD's Cost of Sales exclude depreciation and amortization (some of which relates to leases). While this has the opposite effect of making inventory turnover look lower and more conservative, it also flatters reported gross margin.

Specialty Retail Peer	Credit Card And Payment Processing Fees: Cost of Sales or Operating Expense?	Depreciation and Amortization Expenses: In Cost of Sales or Not?
Groupe Dynamite	**In Cost of Sales: Added disclosure post-IPO.**	**Not in Cost of Sales, separately reported.**
Lululemon	Included in SG&A as explicitly disclosed.	Included in Cost of Sales.
Urban Outfitters	Likely disclosed in SG&A, as not explicitly discussed in an exhaustive list of items in Cost of Sales.	Depreciation included in Cost of Sales.
ITX	Likely in operating expenses as discloses that Cost of Sales includes only raw materials and consumables, and inventory changes.	Not in Cost of Sales, separately reported.
Aritzia	Likely in SG&A given the variable nature: *"Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues."*	*"COGS includes depreciation expense for the Company's boutiques and distribution centres."*
Gap	Explicitly disclosed in operating expenses.	Depreciation and amortization of store operations are in Cost of Goods sold.
Abercrombie & Fitch	Likely in selling expense and not disclosed in Cost of sales.	Not in Cost of sales, reports it exclusive of depreciation and amortization
H&M	Not disclosed.	Includes some depreciation and amortization through Cost of goods sold, but a majority through selling expense.
Fast Retailing	Not disclosed.	Includes depreciation and amortization expense in SG&A expenses.

Sources: Company reports and peer group reporting.

SPRUCE POINT CAPITAL MANAGEMENT

CEO And CFO's Eye Raising Comments On Inventory Turnover

Spruce Point believes that GRGD's industry leading inventory turnover merits scrutiny. The CEO's comments indicate it is a very dangerous strategy. Moreover, the CFO claims the Company has *"secret powers"* yet has operated with supply chain inefficiencies. For example, it historically managed U.S. growth from only one distribution center in Canada. Even if it does have secret powers, we wonder how long that secret will be kept before industry peers discover the Company's advantages.

CEO Lutfy, Q2'25 (Sept 2025)

"Thanks, Alex, and good morning, everyone. Once again, welcome to the Groupe Dynamite second quarter fiscal 2025 results conference call. Granted, these are still early days as a public company, but one thing is for sure; our values-led culture has once again prevailed in delivering exceptional performance. ***As we often say internally, from an inventory perspective, we fly the plane 500 feet above the ground****."*



Isn't flying a plane so close to the ground very dangerous?

CFO D.Lachance, Q2'25 (Sept 2025)

*"****With significantly faster inventory turnover than our peers****, we're seeing the impact of these cost pressures earlier."*

"Again, ***one of our secret powers at GDI is really to turn quickly our inventory****. What that means is with that level of agility, that means these tariffs went through our P&L a little sooner than some of our peers and that is why the earlier part of Q2 was affected. At the end of the day, we are very pleased with the gross margin rate of 63.6 percent."*

*"****There were certain inefficiencies in the supply chain from having only one DC in Canada****. That new DC opens up more opportunities for us. It will be margin accretive, but again, will ramp up both operationally and financially over the next 12 months."*



Remarkable ability to have "*secret powers*" in the brutally competitive fashion industry and to produce industry leading inventory turns with admitted supply chain inefficiencies.

Sources: Q2'25 Conference Call

SPRUCE POINT CAPITAL MANAGEMENT

Supply Chain Inefficiency Insight

GRGD alluded to supply chain inefficiencies. We asked a former executive to opine on what issues were presented in covering the U.S. growth strategy with just a Montreal distribution hub.

Interview of a Former GRGD Executive	
Question	*"Did distribution ever create any problems with the aggressive growth strategy? How would the Company get products to California if the distribution hub is in Canada?"*
Response	*"Sure, having a distribution center in Montreal. Product would come into Vancouver. They would have to get on a truck overnight and get sent to Montreal. Montreal would then have to unpack and repack items that were going back to California. So when you're looking East Coast, we could have a 1 day delivery time from distribution to store. In California it could take 4-5 days to get there. So depending on where you are in the country, there was a lag on the West Coast for sure."*

Source: Spruce Point research interview.

SPRUCE POINT CAPITAL MANAGEMENT

Raw Material Purchase Slowdown

To further support our belief that GRGD may be facing greater inventory pressures than anticipated, we observe growth in purchases of raw materials for fabric expected to be utilized in the next seasons has sharply decelerated and is substantially lower than expected revenue growth. The raw materials purchasing slow down is occurring as inventory turnover appears to be improving, albeit at a slower rate. More curiously, GRGD anticipates roughly the same net store openings in FY26 vs. FY25 and the average store size has historically expanded. Our research suggests that store sizes are likely to increase even further. Of course, it's possible that GRGD is just planning on making smaller clothes or fewer garments for its product assortment.

C$ in mm	FY 23	FY 24	FY 25	Q1'26	Q2'26	FY 26E / Comment
Revenue *% growth*	$800.8 *14.8%*	$958.5 *19.7%*	$1,310.2 *36.7%*	$310.6 *37.0%*	$423.6 *29.8%*	$1,637.8 – $1,664.0 ***25.0% – 27.0%***
Inventory Turnover	7.98x	8.54x	9.85x	9.69x	7.72x	Turnover improving
Average Store Size	3,600	3,600	3,700	3,800	3,800	Slightly bigger stores
Contractual Obligations: Third Party Purchases of Raw Materials *% yoy growth*	$8.7 --	$16.3 *87.2%*	$19.0 *16.9%*	$18.8 16.6%	$13.8 **3.2%**	Raw materials purchase growth rate rapidly falling below revenue growth with similar store opening goals in 2026 as 2025.

Raw material disclosure

Our third-party manufacturers acquire raw materials on our behalf for use in upcoming production in the normal course of business. As of August 1, 2026, we have purchase obligations totaling $13.8 million ($19.0 million as at January 31, 2026), which reflect commitments for fabric expected to be utilized in the next seasons.

Source: Company filings and Spruce Point analysis.

Inventory Write-Downs Spiked In FY 2025

We are troubled by GRGD's steady increase of inventory write-downs in the critical year end period after the holiday season. Furthermore, we find it unusual that H1'26 inventory write-downs were little changed from H1'25 write-downs despite the recent elimination of disclosure of lower markdowns benefiting gross margin.

Inventory Write-downs								
C$ in mm	**FY22**	**FY23**	**FY24**	**Q1'25**	**Q2'25**	**FY25**	**Q1'26**	**Q2'26**
Ending Inventory	$40.0	$38.6	$45.0	$46.1	$57.4	$51.2	$54.7	$72.7
Inventory write-downs *% of inventory*	N.A.	$0.6 ***1.6%***	$0.9 ***2.1%***	$0.3 ***0.7%***	$1.0 ***1.7%***	**$2.5** ***4.9%***	$0.3 ***0.5%***	$0.9 ***1.2%***
Inventory Turnover	6.76x	7.98x	8.54x	8.50x	7.25x	9.85x	9.69x	7.72x

Sources: Company reports and Spruce Point analysis.

New ERP Warning For Inventory Management & Accounting Systems With Inventory A Critical Audit Matter

It caught our attention that GRGD has historically disclosed that inventory is a Critical Audit Matter and is now warning it is evaluating a new ERP system used to manage its inventory and accounting systems. Estimates suggest that an ERP implementation could cost between 1% - 3% of revenue, or $10 - $30 million at the Company's current size and scale.[1] However, we wonder why GRGD would risk business disruption and substantial cost if its current performance is so spectacular and there are no radical changes to its business currently being discussed?

New Risk Factor AND ERP Disclosure

A material disruption in our information technology systems or e-commerce business could significantly affect our business and lead to reduced revenue, growth prospects and reputational damage.

We rely extensively on our computer systems to track inventory and customer data, manage our supply chain, record and process transactions, collect and summarize data and manage our business. While our systems are designed to operate without interruption, we have experienced, and may continue from time to time to experience, interruptions to the availability of our computer systems. The failure of our computer systems to operate effectively or keep pace with our growing capacity requirements may have an adverse impact on our business. We are in the process of evaluating a new Enterprise Resource Planning (ERP) software that could replace our current inventory management and accounting systems. Integration of the ERP software into our organization poses several risks, including cost overruns, delays associated with software installation and optimization and personnel training, disruption of our ordinary operations during the transition process, system downtime, challenges with migration of data onto the new platform and increased likelihood of user error, new security vulnerabilities and vendor integration. Our failure to smoothly transition to a new ERP software or any other upgraded or replacement systems, or to integrate such new systems into our operations could have a material adverse effect on our business and results of operations.

Inventory Critical Audit Matter

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended February 1, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Inventories - Evaluation of sufficiency of audit evidence over the existence of inventories - Refer to Note 2 to the financial statements

Key Audit Matter Description

Inventories are geographically dispersed across Canada and the United States as a result of the Company having numerous stores in these locations as well as a warehouse in Canada. To validate the existence of the inventories, the Company performs a combination of annual physical inventory counts, which take place before, at/or near year-end and cyclical physical inventory counts throughout the year.

Sources: 2026 AIF and Annual Reports, Spruce Point red emphasis.

1) "*How much Does ERP Cost in 2026*", Top10erp.org, Feb 17. 2026

SPRUCE POINT CAPITAL MANAGEMENT

Abnormal Lease Modifications Could Be Flattering Financial Performance And Cash Flow

We are concerned by GRGD's aggressive lease modifications corresponding with its IPO period. It would be helpful to know what modifications were made and how they impacted the Company's near-term financial performance and cash flow.

Lease Modifications Reported By Canadian Retailers					
C$ in mm	**Groupe Dynamite**	**Aritzia**	**Canada Goose**	**Roots Corp.**	**Dollarama[1]**
Period End	2/1/2025	3/2/2025	3/30/2025	2/1/2025	2/1/2025
Beginning of Year ROU Lease Assets (a)	$246.2	$996.7	$555.4	$169.7	$1,788.5
Lease Modifications (b)	$57.6	$33.7	$18.5	$5.8	$0.9
Modifications as % of ROU Assets (b/a)	**23%**	**3%**	**3%**	**3%**	**0%**

1) Reported as "Terminations and other adjustments"

Source: Company filings (ATZ, GOOS, ROOT, DOL) and Spruce Point analysis.

SPRUCE POINT CAPITAL MANAGEMENT

How Much Is GRGD's Cash Flow Being Aided By Lease Incentives?

GRGD often compares its financial performance with Aritzia and likely it wants its share price to be valued commensurate with Aritzia's premium industry valuation multiple. However, we believe there is a substantial gap in the quality of financial reporting and disclosures. One of our biggest areas of concerns is lease incentives. Lease incentives can greatly benefit cash flow in the near term. Aritzia provides full disclosure about the effects on cash flow, whereas GRGD reports lease additions net of incentives.

ARITZIA

Aritzia Inc.
Consolidated Statements of Cash Flows
For the years ended March 1, 2026 and March 2, 2025
(in thousands of Canadian dollars)



	Note	March 1, 2026	March 2, 2025
Financing activities			
Repayment of principal on lease liabilities	8	**(101,694)**	(110,432)
Proceeds from lease incentives		**47,753**	10,527
Proceeds from options exercised	13	**34,043**	45,438
Shares repurchased and held in trust	12	**(62,054)**	—
Shares repurchased for cancellation	12	**(144,947)**	(5,906)
Net cash generated from (used in) financing activities		**(226,899)**	(60,373)

The following table reconciles the change in right-of-use assets for the year ended March 1, 2026 and March 2, 2025:

	March 1, 2026	March 2, 2025
Cost		
Opening balance	$ **1,182,364**	$ 996,699
Additions	**153,498**	152,374
Lease incentives	**(45,938)**	(15,780)
Modifications	**43,985**	33,746
Lease expirations	**(13,308)**	(30,236)
Foreign exchange	**(41,348)**	45,561
Closing balance	$ **1,279,253**	$ 1,182,364

GDI DYNAMITE GARAGE

Groupe Dynamite Inc.
Consolidated Statements of Cash Flows
For the Years Ended
(Expressed in thousands of Canadian dollars, unless noted otherwise)



	Notes	January 31, 2026	February 1, 2025
		$	$
Financing activities			
Repayment of principal on lease liabilities, net of lease incentives received	12	**(39,571)**	(36,769)
Repayment of notes payable to parent companies	16	**(10,520)**	-
Proceeds from long-term debt	17	-	7,000
Repayment of long-term debt	17	-	(173,250)

Right-of-use assets:

	January 31, 2026	February 1, 2025
	$	$
Balance, beginning of year	**330,105**	246,240
Additions, net of lease incentives received	**134,754**	66,543
Modifications	**24,501**	57,626
Depreciation	**(61,214)**	(53,902)
Foreign exchange	**(13,110)**	13,598
Balance, end of year	**415,036**	330,105

Source: Aritzia and Company filings, Spruce Point red emphasis and thumb print.



Questionable Operating And Financial Priorities As Cash Rapidly Exits The Company And A Stealth Management Restructuring Occurs

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SPRUCE POINT CAPITAL MANAGEMENT

We Raise Concerns With GRGD's Operating And Financial Priorities….

Spruce Point has difficulty understanding GRGD's operating and capital priorities but cautions that money is rapidly exiting the Company shortly after its November 2024 IPO, and capex is sharply declining by -33% after making pro forma adjustments.

Action	Rationale	Analysis
Closing Profitable Stores	**CEO's Comment (April 2026):** *"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."*	**What GRGD also says:** *"In Fiscal 2025, approximately 65% of e-commerce orders were shipped from our physical stores."; "Our physical stores function as hybrid distribution centers, which decreases warehousing costs and reduces lead times."; "This combined effect also results in our physical stores having higher average order values(1) compared to our e-commerce channel, driven by higher average units per transaction."* **Spruce Point reality check:** Rarely have we seen a retailer close profitable stores, especially when there is likely to be a high degree of negative impact to online sales. GRGD's statements above support this conclusion, along with external research that corroborates negative impact to online sales from physical store closures.[1,2] There is the potential that GRGD is closing profitable stores with slow revenue growth to manage Comparable Store Sales and Inventory Turnover higher. GRGD also does not list which stores are being closed.
Share Repurchases	*"…belief that the market price for our Sub Voting shares may from time to time not reflect the underlying value"* Repurchased $51.0m from the founder and repurchased $62.4m (1.3m shares) through the NCIB from April 2025-2026. Renewed the NCIB April 2026 and repurchased 1.4m shares for $101.8m.	**What GRGD also says**: *"The Company's capital allocation priority for the next 12 months is investing in business growth."* **Spruce Point reality check**: Why is GRGD so quickly draining cash from the Company post IPO and repurchasing stock when its valuation is among the highest in the industry? A one-time dividend signals less sustainability of cash flow vs. initiating a regular dividend. Our analysis indicates that FY26E capex is projected to decline ~33% after adjusting for deferred capex and 4-6 incremental stores opened. New stores being opened are increasing in square footage. Are growth angles drying up? If opening stores generates such highly attractive unit economics and returns as claimed, why not be more aggressive in opening stores?
One-Time Special Dividend	*"…is in the best interest of the Company and an appropriate use of these funds"* $2.30/share or $252m in dividends paid.	

1) "*Study: Retailers See Big Online Sales Decline After Closing Brick & Mortar*", SBG, Dec 19, 2023
2) "*Closing Stores Can Result In Greater Loss Than Retailers Plan*", Forbes, Jan 30, 2024

Sources: CEO/largest shareholder/promoter repurchase, NCIB renewal and Company filings.

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD Is Likely Sacrificing Human Capital Investment To Harvest Cash Flow

By analyzing the relative human capital investment vs. current store profile of various comparable fashion retailers, we find that GRGD appears not to be properly aligned with the industry. While this may help cash flow by underinvesting in the business, we think it has dangerous potential side effects as detailed on the following slide.

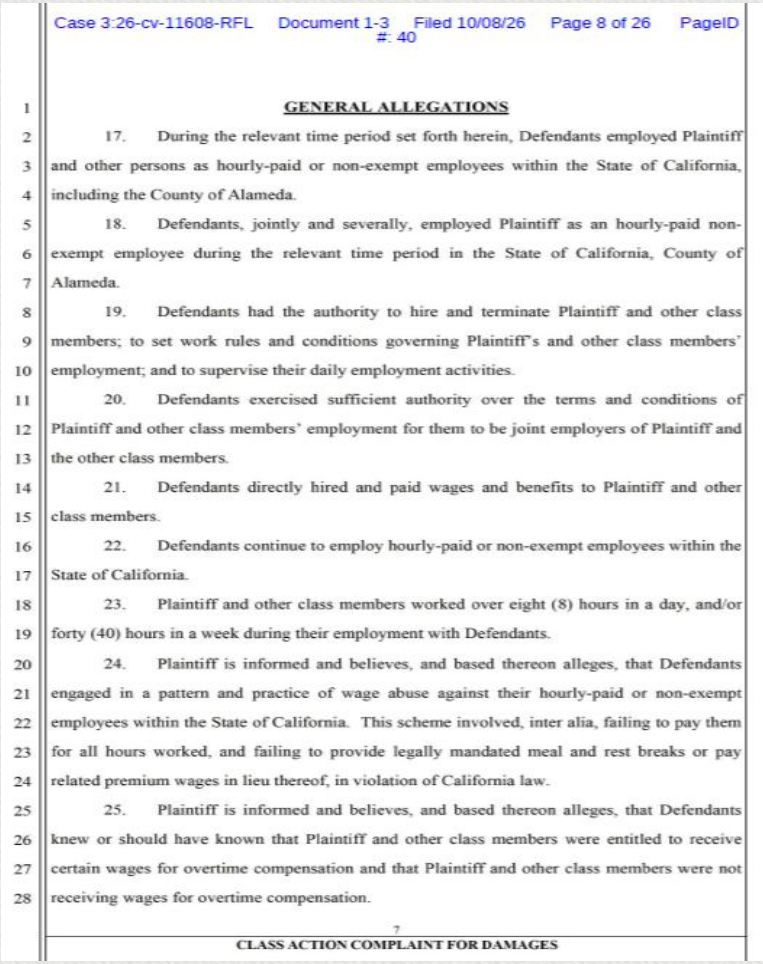
Employees In Relation To Company Owned Stores

	Groupe Dynamite	Victoria's Secret	American Eagle Outfitters	Urban Outfitters	Canada Goose	Lululemon	Abercrombie & Fitch	Aritzia
Company Owned Stores	307	1,430	1,167	801	94	811	846	144
Total Employees	**7,200**	**33,000**	**35,000**	**31,000**	**4,289**	**39,000**	**43,200**	**8,800**
Full-time (FT)	1,800	12,000	4,000	11,780	n.a.	n.a.	6,600	n.a.
Part-time / seasonal (PT)	5,400	21,000	31,000	19,220	n.a.	n.a.	36,600	n.a.
Per Stores								
Total Employees	**23.5**	23.1	30.0	38.7	45.6	48.1	51.1	61.1
FT Employees	**5.9**	8.4	3.4	14.7	n.a.	n.a.	7.8	n.a.
PT Employees	**17.6**	14.7	26.6	24.0	n.a.	n.a.	43.3	n.a.

Sources: Company disclosures.

Recent Lawsuit Alleges Unfair Labor Practices

Of course, being a large company that employs thousands of people is going to invite scrutiny. A recently filed class action lawsuit alleges that GRGD has *"engaged in a pattern and practice of wage abuse against hourly paid or non-exempt employees in the State of California."* If true, this corroborates our view that GRGD under-invests in human capital.



Case 3:26-cv-11608-RFL Document 1-3 Filed 10/08/26 Page 8 of 26 PageID #: 40

GENERAL ALLEGATIONS

17. During the relevant time period set forth herein, Defendants employed Plaintiff and other persons as hourly-paid or non-exempt employees within the State of California, including the County of Alameda.

18. Defendants, jointly and severally, employed Plaintiff as an hourly-paid non-exempt employee during the relevant time period in the State of California, County of Alameda.

19. Defendants had the authority to hire and terminate Plaintiff and other class members; to set work rules and conditions governing Plaintiff's and other class members' employment; and to supervise their daily employment activities.

20. Defendants exercised sufficient authority over the terms and conditions of Plaintiff and other class members' employment for them to be joint employers of Plaintiff and the other class members.

21. Defendants directly hired and paid wages and benefits to Plaintiff and other class members.

22. Defendants continue to employ hourly-paid or non-exempt employees within the State of California.

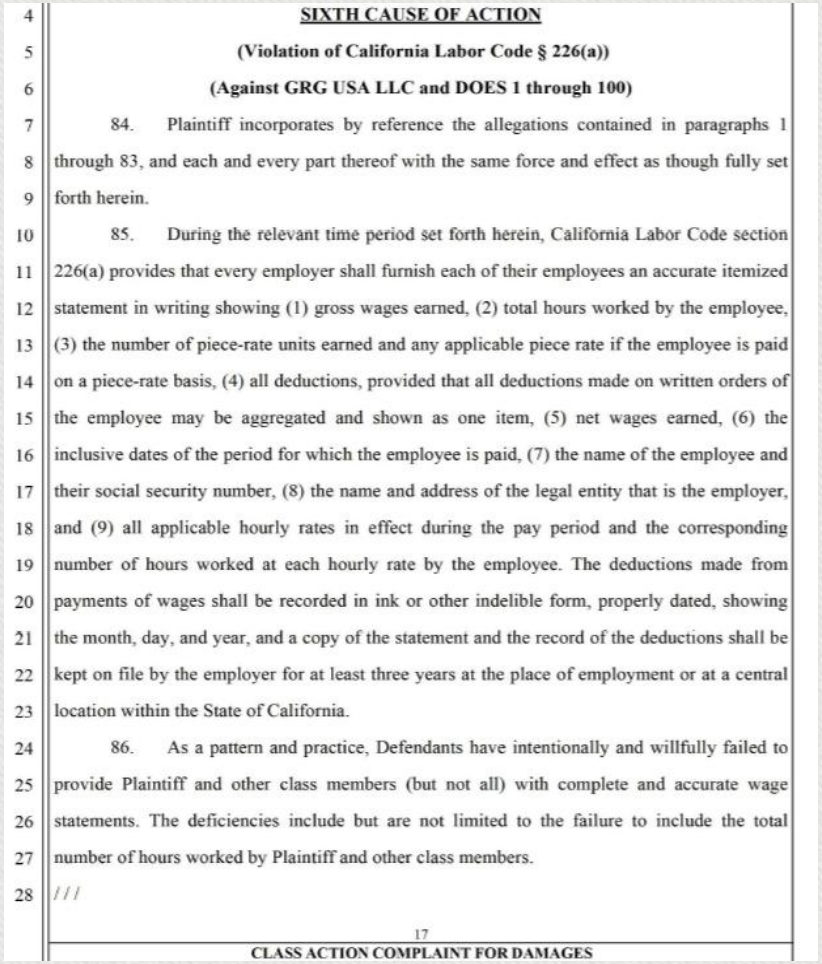
23. Plaintiff and other class members worked over eight (8) hours in a day, and/or forty (40) hours in a week during their employment with Defendants.

24. Plaintiff is informed and believes, and based thereon alleges, that Defendants engaged in a pattern and practice of wage abuse against their hourly-paid or non-exempt employees within the State of California. This scheme involved, inter alia, failing to pay them for all hours worked, and failing to provide legally mandated meal and rest breaks or pay related premium wages in lieu thereof, in violation of California law.

25. Plaintiff is informed and believes, and based thereon alleges, that Defendants knew or should have known that Plaintiff and other class members were entitled to receive certain wages for overtime compensation and that Plaintiff and other class members were not receiving wages for overtime compensation.

7

CLASS ACTION COMPLAINT FOR DAMAGES



SIXTH CAUSE OF ACTION

(Violation of California Labor Code § 226(a))

(Against GRG USA LLC and DOES 1 through 100)

84. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 83, and each and every part thereof with the same force and effect as though fully set forth herein.

85. During the relevant time period set forth herein, California Labor Code section 226(a) provides that every employer shall furnish each of their employees an accurate itemized statement in writing showing (1) gross wages earned, (2) total hours worked by the employee, (3) the number of piece-rate units earned and any applicable piece rate if the employee is paid on a piece-rate basis, (4) all deductions, provided that all deductions made on written orders of the employee may be aggregated and shown as one item, (5) net wages earned, (6) the inclusive dates of the period for which the employee is paid, (7) the name of the employee and their social security number, (8) the name and address of the legal entity that is the employer, and (9) all applicable hourly rates in effect during the pay period and the corresponding number of hours worked at each hourly rate by the employee. The deductions made from payments of wages shall be recorded in ink or other indelible form, properly dated, showing the month, day, and year, and a copy of the statement and the record of the deductions shall be kept on file by the employer for at least three years at the place of employment or at a central location within the State of California.

86. As a pattern and practice, Defendants have intentionally and willfully failed to provide Plaintiff and other class members (but not all) with complete and accurate wage statements. The deficiencies include but are not limited to the failure to include the total number of hours worked by Plaintiff and other class members.

///

17

CLASS ACTION COMPLAINT FOR DAMAGES

Source: Greene vs. GRG USA LLC, Case number: 3:2026cv11608, Superior Court of California, Alameda County.

Recent Customer And Employee Complaints

Obviously, retail is a very tough industry and GRGD is not immune, but we observe recent complaints from customers about poor service and from employees feeling overworked, under-supported and subject to unrealistic expectations.

WI Willow K Qjd
Toronto, Ontario

Can't log into app

Oct 13, 2026 1.0

Contacted the company first
The reviewer tried to contact the company before posting this review.

Get a real person on the phone, Im sick and tired of shopping online with this company. Im constantly getting logged out and cant get back in.

Garage customer service *** sucks. Get a real person I can talk to or Im never shopping here again.

Cons: Terrible app

Preferred solution: Apology

User's recommendation: Don't shop here

AL Alicia C Kig

Placed an order on line , 16 days later haven't received my order, never again ! Customer service is horrendous- 2 thumbs down

Oct 06, 2026

AI Highlights
- Delivery went to an old address; the promised change wasn't made and the package wasn't received.
- Staff gave different answers; refunds are delayed.

After placing the order, the email confirmation was to an old address for delivery. I called customer care within an hour to correct it; while on the call, I was assured of the address change. Only to not receive the package 16 days later. I called customer service several times, and they all had different answers.

I placed the order on Sept 21/26. Customer service says I still can't get a refund because I have to wait from the date of Sept 26/26, 10 days for a refund.

I'm so very disappointed and frustrated with this issue.

I will never be ordering from this company again.

1.0 Apr 24, 2026

Underpaid, Overworked, and Poorly Supported

Operations manager

Former employee, more than 5 years | Edison, NJ

✗ Recommend ✗ CEO approval ✗ Business Outlook

Pros
Discount wasn't bad. Opportunity to gain experience in a fast-paced retail environment

Cons
Low pay for workload [minimum wage]
Limited support from management Poor work-life balance
Too much drama between managers
High stress environment

Advice to Management
Focus on aligning pay with responsibilities, improving in-store leadership support, and fostering a more professional and inclusive team culture

1.0 Jul 20, 2026

Toxic environment with unrealistic expectations

Anonymous employee

Former employee

Recommend | CEO approval | Business Outlook

Pros
Actually have nothin gto write on pros

Cons
This was by far the worst company I have ever worked for. The environment is extremely stressful, and employees are expected to perform at an unrealistic level almost immediately, regardless of their experience or how much training they receive.
There is virtually no meaningful onboarding or training. New employees are often thrown into complex responsibilities and expected to figure everything out on their own. Instead of setting people up for success, the company seems to assume that everyone should already know everything from day one.
One of the biggest issues is the complete lack of communication regarding performance. There are few constructive conversations, very little coaching, and limited feedback. Employees are often left wondering whether they are meeting expectations because managers rarely provide clear guidance. There is a constant feeling of uncertainty and anxiety about job security.
Termination appears to be very common and can happen with little warning. Rather than investing in employee development, providing coaching, or creating improvement plans, the company often chooses to replace people. Many employees live with the constant fear that one mistake, one missed expectation,

Sources: Glassdoor, Pissedoffcustomer.com

SPRUCE POINT CAPITAL MANAGEMENT

Less Accountability For Financial Targets And Stealth Executive Team Restructuring

Spruce Point finds evidence that GRGD management is being held less accountable for meeting financial targets going forward. In fact, we see that in FY26, the "*individual performance*" weighting has increased from 20% to 30% with less emphasis placed on Adjusted EBITDA. We also find evidence of a stealth restructuring of the Named Executive Officer (NEO) team. While GRGD disclosed the "promotion" of Mary-Ann Vitale, it did not say that Mr. Olson was effectively demoted and removed as an NEO.

FY 2025

The following table below sets out the anticipated targets of each component of an NEO's annual bonus scorecard. These items may change as we further refine the elements of compensation for Fiscal 2025.

	Scorecard		
NEO	EBITDA[1]	Gross Margin[2]	Individual Performance
Stacie Beaver	60%	20%	20%
Jean-Phillippe D. Lachance	60%	20%	20%
David Stevens	60%	20%	20%
Michael Olson	40%	40%	20%

(1) EBITDA is a non-IRFS financial measure.
(2) Gross margin is a supplementary financial measure. Gross profit is calculated as total revenue less cost of sales and gross margin is the ratio of gross profit over total revenue. Refer to section "Non-IFRS Measures including Non-IFRS Financial Measures, Non-IFRS Ratios, Supplementary Financial Measures and Retail Industry Metrics" in the 2024 MD&A, which section is incorporated by reference herein, for further details regarding this supplementary financial measure.

Demotion?
SVP Commercial Operations, Michael Olson serves as our Senior Vice President, Commercial Operations, overseeing the brands' commercial strategies to drive revenue growth and profitability.

FY 2026

New for Fiscal 2026

The individual performance for all executives will be increased to 30%. Individual performance will continue to be measured on personal annual objectives, corporate values and a leadership metric meant to hold leaders more accountable to attracting, retaining and developing their talent.

	At Target			
NEO	Gross Margin (%)	Adjusted EBITDA (%)	Individual Performance (%)	Bonus Scorecard
Stacie Beaver	20%	50%	30%	100%
Jean-Philippe D. Lachance	20%	50%	30%	100%
David Stevens	20%	50%	30%	100%
Mary Ann Vitale	50%	20%	30%	100%

Promotion
On February 9, 2026, Mary-Ann Vitale was promoted to the role of Senior Vice President, Brand Garage.

Source: Company filings and Spruce Point red emphasis.

Chief Digital Officer And The SVP of Commercial Operations Recently Departed

Maxime Boyer, the Chief Digital Officer, recently departed and GRGD only included a footnote in the May 2026 proxy circular. Curiously, Mr. Boyer's last biography removed reference to his role at SSENSE from 2016 - Sept 2023. SSENSE was a once fast-growing fashion retailer that went bankrupt, leaving millions of debt due to fashion designers and vendors.(1) In June 2026, Michael Olson, SVP of Commercial Operations also departed.

IPO Prospectus November 2024

Maxime Boyer, Chief Digital Officer

Maxime Boyer serves as our Chief Digital Officer, overseeing all digital strategy and execution across product management, ecommerce operations, performance marketing, and brand marketing. Mr. Boyer joined us in 2023, bringing with him a vast amount of experience in ecommerce, data, and luxury from his previous role as Executive Vice President of Growth at SSENSE where he led growth for 9 years while reporting to the chief executive officer. For the last five years, Mr. Boyer has also been a member of the advisory committee of SPI Health & Safety, a Canadian retail leader in worker protection solutions. Mr. Boyer has approximately 17 years of retail and other relevant experience. He holds a Bachelor of Engineering degree with high honors from *École Polytechnique de Montréal* and a Master of Business Administration degree with high honors from Carnegie Mellon University.

Annual Report April 2026

***Maxime Boyer** – Chief Digital Officer*

??

Maxime Boyer serves as our Chief Digital Officer, overseeing all digital strategy and execution across digital product management, ecommerce operations and growth marketing. Mr. Boyer joined us in 2023, bringing with him a vast amount of experience in ecommerce, data, and luxury as a growth executive. Mr. Boyer has approximately 19 years of retail and other relevant experience. He holds a Bachelor of Engineering degree with high honors from *École Polytechnique de Montréal* and a Master of Business Administration degree with high honors from Carnegie Mellon University.

Management Proxy Circular May 2026

	Current Directors(1)	Members of Senior Management
Women	4 (50%)	5 (38.46%)(2)
Indigenous peoples	0 (0%)	0 (0%)(2)(3)
Members of visible minorities	0 (0%)	0 (0%)(2)(3)
Persons with Disabilities	0 (0%)	0 (0%)(2)(3)

Notes:
(1) All current directors are standing for re-election at the Meeting.
(2) Includes Mr. Maxime Boyer, who left the Company effective as of April 6, 2026.
(3) 0% of the members of senior management identified as Indigenous peoples, members of visible minorities or persons with disabilities.

1) "*SSENSE Owes Millions to Indie Fashion Brands. Here's How They're Dealing With It*", GQ.com, October 29, 2025.

Sources: Company filings, Olson LinkedIn and Boyer LinkedIn.

SPRUCE POINT CAPITAL MANAGEMENT

Worrisome Insider Sales Ahead of the Coming Quarter

We are concerned by recent insider stock sales by two key individuals, COO Stacie Beaver and Audit Committee Director Janowski. Mr. Janowski's appears to have exited approximately 97% of his options holding which expire December 9, 2026. We are also not encouraged to see Stacie Beaver execute stock sales ahead of the upcoming quarter.

Recent Insider Sales

Date	Executive	Share Sale / Estimated % of Total / Sale Price
10/19 - 10/23	Andy Janowksi / Board since 2019 Serves on Audit Committee	129,004 / 48% / C$58.87
10/16	Stacie Beaver / President and COO	26,000 / 3% / C$61.50
7/21	Andy Janowksi / Board since 2019 Serves on Audit Committee	122,300 / 45% / C$49.62

Andy Janowksi Holdings

Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information on the outstanding option-based awards and share-based awards held by each of our Non-Executive Directors as at the end of Fiscal 2025:

	Option-Based Awards				Share-Based Awards		
Name	Number of securities underlying unexercised options (#)[1]	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)[2]	Number of share-based awards that have not vested (#)	Market payout value of share-based awards that have not vested ($)	Market or payout value of vested share-based awards not paid out or distributed ($)[3]
Chris Arsenault.....	-	-	-	-	-	-	194,566
Andy Janowski.....	408,804	3.74	9-Dec 2026	27,447,101	-	-	100,862

EQUITY OWNERSHIP (as at May 1, 2026)

Multiple Voting Shares (#)	Subordinate Voting Shares (#)	DSUs (#)	Options (#)	Has Share Ownership Guidelines Been Met?
-	414	1,646	269,004	No – deadline November 2029

Sources: Canada insider sales at SEDI and Proxy Statement.



Why We Estimate 35% – 70% Potential Downside Risk To GRGD's Share Price

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SPRUCE POINT CAPITAL MANAGEMENT

No Bay Street Skeptics And Unanimous "Buy" Opinions On GRGD's Share Price

There are no Bay Street skeptics with GRGD's investment story and analysts make the case that the share price offers meaningful upside potential of 61% to the current price. Analysts see double digit revenue growth momentum through 2030 and opportunities for even more Adj. EBITDA margin expansion to over 40%.

Promoter	Recommendation	C$ Target
Canaccord	Buy	$113.00
UBS	Buy	$112.00
RBC	Outperform	$104.00
Ventum	Buy	$95.00
National Bank	Outperform	$93.00
Raymond James	Strong Buy	$90.00
Barclays	Overweight	$88.00
Goldman Sachs	Buy	$86.00
Desjardins	Buy	$85.00
BMO	Outperform	$83.00
TD Cowen	Buy	$80.00
Stifel Canada	Buy	$78.00
Scotiabank	Sector Perform	$75.00
	Average: ***% upside***	**$90.92** ***+61%***

Source: Bloomberg

SPRUCE POINT CAPITAL MANAGEMENT

We Believe GRGD Trades At An Unsustainable Premium To Peers

We compare GRGD with a range of mall-based and fast fashion retailers. We believe there are signs of strains emerging and that there is an increasing likelihood that the Company will miss lofty expectations.

US$ in mm, ex: current share price

Publicly Traded Retail Industry Peer Multiples

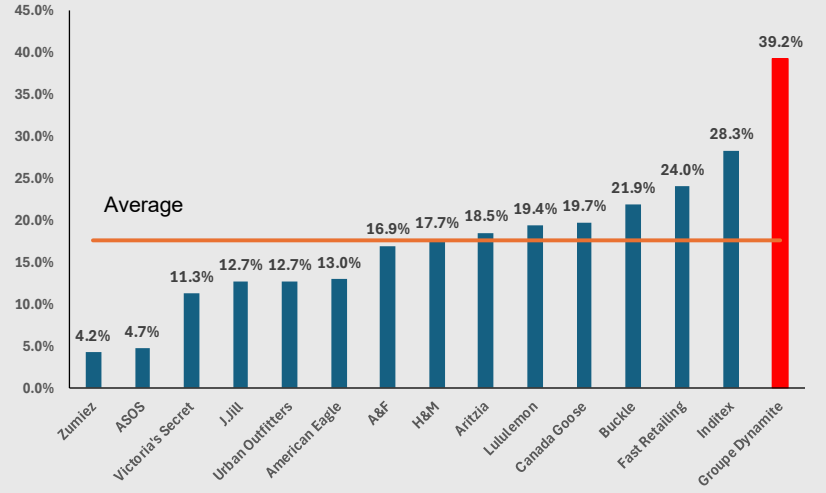
Name (Ticker)	Stock Price 11/16/2026	Adj Ent. Value	2026E EBITDA Margin	2026E Gross Margin	2026E Revenue Growth	Ent Value / Revenue 2026E	Ent Value / Revenue 2027E	Ent Value / EBITDA 2026E	Ent Value / EBITDA 2027E	Net Debt / 2026E EBITDA	Price / Book Value
Inditex (ITX SM)	$66.33	$201,828	28.3%	58.4%	4.7%	4.2x	3.9x	15.0x	13.9x	-0.4x	10.1x
Fast Retailing (9983 JP)	$525.02	$152,875	24.0%	54.5%	7.9%	5.8x	5.2x	24.2x	21.2x	-1.5x	8.8x
H&M (HMB SS)	$17.91	$34,122	17.7%	54.2%	-1.6%	1.5x	1.5x	8.6x	8.3x	1.4x	6.9x
Aritzia (ATZ CN)	$104.41	$12,879	18.5%	46.6%	29.6%	4.1x	3.4x	22.1x	16.8x	0.8x	8.3x
Lululemon (LULU)	$105.46	$12,660	19.4%	55.4%	-5.7%	1.2x	1.2x	6.2x	6.9x	0.4x	2.5x
Victoria's Secret (VSXY)	$101.85	$10,993	11.3%	39.2%	9.8%	1.5x	1.4x	13.5x	11.6x	2.9x	8.1x
Urban Outfitters (URBN)	$83.56	$7,510	12.7%	36.2%	9.5%	1.1x	1.0x	8.7x	8.2x	0.3x	2.5x
Abercrombie & Fitch (ANF)	$145.77	$7,086	16.9%	64.1%	5.0%	1.3x	1.2x	7.6x	8.0x	0.7x	4.7x
American Eagle (AEO)	$21.26	$5,389	13.0%	41.0%	5.6%	0.9x	0.9x	7.1x	8.2x	2.3x	2.1x
The Buckle (BKE)	$42.54	$2,304	21.9%	48.8%	4.4%	1.6x	1.6x	7.8x	8.0x	0.5x	4.4x
Canada Goose (GOOS CN)	$8.41	$1,386	19.7%	67.3%	1.5%	1.3x	1.3x	6.7x	6.1x	2.6x	2.1x
ASOS Plc (ASC LN)	$6.54	$1,483	4.7%	47.4%	-10.9%	0.5x	0.5x	10.4x	5.9x	4.9x	2.7x
J.Jill (JILL)	$21.54	$467	12.7%	69.6%	1.1%	0.8x	0.8x	6.1x	5.7x	1.9x	2.3x
Zumiez (ZUMZ)	$13.59	$343	4.2%	35.8%	-1.6%	0.4x	0.4x	8.9x	8.4x	3.4x	0.8x
		Max	28.3%	69.6%	29.6%	5.8x	5.2x	24.2x	21.2x	4.9x	10.1x
		Median	17.3%	51.5%	4.6%	1.3x	1.2x	8.6x	8.2x	1.1x	3.6x
		Average	16.1%	51.3%	4.2%	1.9x	1.7x	10.9x	9.8x	1.4x	4.7x
		Minimum	4.2%	35.8%	-10.9%	0.4x	0.4x	6.1x	5.7x	-1.5x	0.8x
Groupe Dynamite (GRGD CN)	**$39.61**	**$4,863**	**39.2%**	**66.4%**	**23.0%**	**4.2x**	**3.7x**	**10.7x**	**9.2x**	**0.8x**	**56.3x**

Source: Company filings, Bloomberg and Spruce Point estimates.

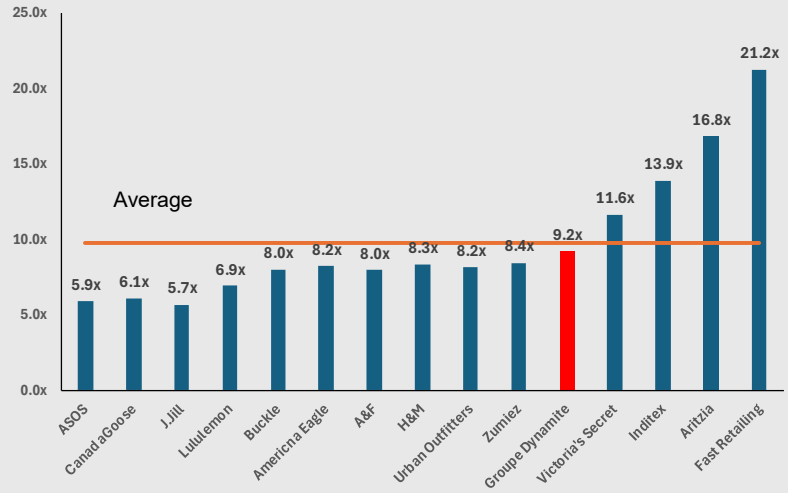
SPRUCE POINT CAPITAL MANAGEMENT

GRGD Enjoys A Premium Multiple For High Growth And Margins… But For How Long?

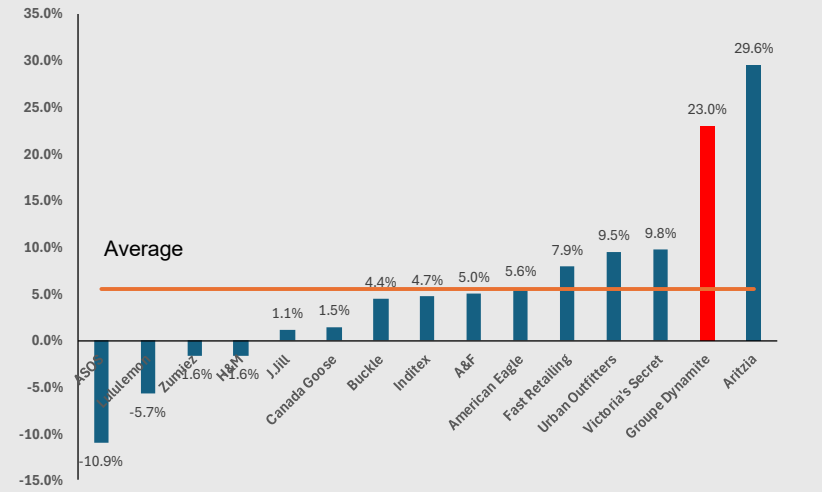
2026E EBITDA Margin



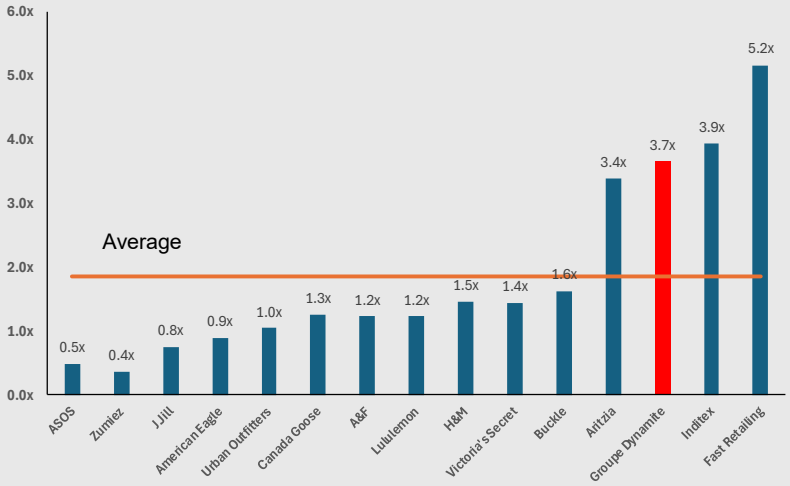
2027E EBITDA Multiple



2026E Revenue Growth



2027E EV / Revenue



SPRUCE POINT CAPITAL MANAGEMENT

Spruce Point's Valuation Analysis Suggests Approximately 35% – 70% Downside Risk

We see multiple risks emerging to GRGD's ability to meet financial targets that we do not believe are properly accounted for in the current valuation. We see approximately 35% – 70% long-term potential downside risk to GRGD's share price and expect the share price to underperform the retail sector and overall equity market.

Indicative Potential Value of GRGD'S Share Price Under Certain Scenarios

C$ in mm, except per share	Low Multiple	High Multiple
2027E Revenue *% growth*	**$1,774** *8%*	**$1,896** *15%*
Revenue Multiple	1.5x	2.5x
Enterprise Value	**$2,662**	**$4,741**
Less: Adjusted Debt	($557)	($557)
Plus: Cash and Equivalents	$32	$32
Equity Value	**$2,136**	**$4,216**
Diluted Shares	114	114
Share Price Target ***% Approx. Downside***	**$18.74** ***-67%***	**$36.98** ***-35%***

Select Factors Favoring Multiple Compression

- Exposure to controversial Bangladesh supplier.
- Potential limitations to the number of stores the market can bear with history suggesting that 330-375 is where many women's retailers experience distress. Specifics of store openings and closings to meet the 5-year plan of 350 stores are no longer disclosed.
- New stores look to be larger and in more upscale neighborhoods and may not resonate with the core customer.
- Limitations to improvement in Inventory Turnover and normalization of CSS as new stores mature. Current inventory appears elevated.
- Key performance indicators such as CSS and gross margin do not appear to be presented consistent with industry peers and may create comparability issues.
- Recent elimination of key metrics that are useful to evaluation performance such as customer lifetime value, identifiable customers who used omnichannel, transactions processed, and brand impressions reached.
- Recent departure of the Chief Digital Officer and SVP of Commercial Operations.
- Capital is leaving the Company with share repurchases and a special dividend vs. accelerated store openings or higher capex.
- Management incentive compensation tied more toward subjective individual performance and less toward Adj. EBITDA following FY25.
- CEO is also involved with Carbonleo and not exclusively focused on Groupe Dynamite. $51m of share repurchases were tied to Mr. Lutfy.

SPRUCE POINT CAPITAL MANAGEMENT

Where Could We Be Wrong On GRGD

There are areas where we can potentially be wrong and GRGD can avoid major risks being realized.

Factor	Counter
Suppliers	Diverse supplier base and ability to compensate for a change in any key suppliers.
Fashion	Athleisure category has greater sustainability and GRGD can continue to anticipate customer demand.
Inventory Model	GRGD's *"secret sauce"* how it manages inventory to sustain leading inventory turnover metrics is defensible and sustainable in the long-run.
Gross Margins	Can be sustained by avoiding mark-downs, realizing distribution efficiencies, improving margins on ecommerce.
Labor	Can continue expand while managing headcount and labor costs.
Long-Term Store Count	Will meet the 350-store target and can continue to replicate its success to a larger number of stores.
International Opportunity	This time is different and GRGD will successfully grow in the U.K. and other geographic markets.
Store Format	Larger new store developments in more upscale shopping districts will resonate with the target customer and/or not alienate existing customers.

Note: Not an exhaustive list.