Roots Reports Fourth Quarter and Year-End Fiscal 2017 Results

Fourth quarter Comparable Sales Growth of 15.1% helped drive 35.3% increase in full-year Adjusted Net Income Per Share

TORONTO, April 18, 2018 – Roots ("Roots," "Roots Canada" or the "Company") (TSX: ROOT), an iconic lifestyle brand with a rich Canadian heritage, today announced its financial results for the fourth quarter and fiscal year ended February 3, 2018 ("Q4 2017" and "Fiscal 2017", respectively). All financial results are reported in Canadian dollars unless otherwise stated. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures. See "Non-IFRS Measures and Industry Metrics" below.

Fourth Quarter Fiscal 2017 Highlights

- Total sales increased 17.0% to $130.0 million compared to fourth quarter Fiscal 2016 ("Q4 2016")
    - Direct to Consumer ("DTC") sales increased 17.6% to $119.8 million compared to Q4 2016
- Comparable Sales Growth of 15.1%
- Gross margin expanded to 58.3% from 57.3% in Q4 2016
    - Adjusted DTC Gross Margin increased 155 basis points to 60.7% from 59.2% in Q4 2016
- Adjusted EBITDA increased 16.2% to $36.7 million compared to Q4 2016
- Basic Earnings Per Share ("EPS") increased 21.9% to $0.50 per share compared to Q4 2016, and Adjusted Net Income Per Share increased 22.9% to $0.59 per share compared to Q4 2016
- Opened two corporate retail stores and relocated and expanded one store in North America, ending the quarter with 119 stores
- Opened three partner-operated stores in China and two partner-operated stores in Taiwan, ending the quarter with 32 stores in China and 110 stores in Taiwan

Fiscal 2017 Highlights

- Total sales increased 15.7% to $326.1 million compared to fiscal year 2016 ended January 28, 2017 ("Fiscal 2016")
    - DTC sales increased 16.3% to $284.1 million compared to Fiscal 2016
- Comparable Sales Growth of 12.1%
- Gross margin expanded to 55.8% from 52.2% in Fiscal 2016
    - Adjusted DTC Gross Margin increased 206 basis points to 59.4% from 57.3% in Fiscal 2016
- Adjusted EBITDA increased 26.6% to $52.6 million compared to Fiscal 2016
- Basic EPS increased 121.0% to $0.42 per share compared to Fiscal 2016, and Adjusted Net Income Per Share increased 35.3% to $0.69 per share compared to Fiscal 2016
- Total bank debt of $84.5 million, down from $104.5 million, and a net debt leverage ratio of 1.57 down from 2.51 at the end of Fiscal 2016
- Opened eight corporate retail stores, renovated one corporate retail store, relocated one store, and renovated and expanded three stores, all in North America
- Opened 13 net new partner-operated stores in Asia (Taiwan and China)

"In Fiscal 2017, we generated exceptional growth across all channels and focus geographies." said Jim Gabel, President and Chief Executive Officer of Roots. "As a result, we delivered significant improvements in all of our key financial metrics. For the fourth quarter, holiday sales were outstanding both in-store and online, driving impressive top and bottom-line growth. We also continued to execute on the strategic initiatives in our three-year plan, reducing our SKU count by 27% compared to Q4 2016, expanding our Canadian and international retail footprint and enhancing our omni-channel shopping experience."

Mr. Gabel continued: "We are encouraged by our Fiscal 2017 results. They speak to the strength of our brand and the momentum we are gaining with our operational investments and strategic growth initiatives. Since starting the process of modernizing the Roots brand and transforming the business in Fiscal 2016, we have delivered eight consecutive quarters of positive Comparable Sales Growth, as well as notable improvements in gross margin and Adjusted EBITDA. While we are still in the early stages of executing our plan, we are even more confident in the significant long-term growth opportunities in front of us and our ability to achieve our Fiscal 2019 targets."

Summary of Fourth Quarter and Fiscal 2017 Year-end Financial Results

Sales

Total Q4 2017 sales increased 17.0% to $130.0 million from $111.2 million in Q4 2016. Total Fiscal 2017 sales increased 15.7% to $326.1 million from $281.9 million in Fiscal 2016.

Sales in the DTC segment (corporate retail store and e-commerce sales) increased 17.6% to $119.8 million compared to $101.9 million in Q4 2016. For Fiscal 2017, DTC sales increased 16.3% to $284.1 million compared to $244.3 million in Fiscal 2016. The year-over-year improvement in DTC sales was largely driven by Comparable Sales Growth of 15.1% and 12.1% for the quarter and year, respectively, and the benefit of a 53rd week ($3.1 million) in Q4 2017. The Company's top line growth also reflected the opening of two net new corporate retail stores since Q4 2016, the renovation of one store, the relocation of one store, as well as the renovation and expansion of three stores.

Sales in the Partners and Other segment (wholesale Roots-branded products, royalties on partner retail sales, licensing to select manufacturing partners and the sale of certain custom Roots-branded products) for Q4 2017 were $10.2 million, a 9.8% increase compared to $9.3 million in Q4 2016. For Fiscal 2017, sales in the Partners and Other segment were $41.9 million, an 11.7% improvement over $37.5 million in Fiscal 2016. On a constant currency basis, sales in the Partners and Other segment increased 14.5% and 14.1% for Q4 2017 and Fiscal 2017, respectively. The year-over-year growth in the Partners and Other segment for the quarter and year were driven by strength across all divisions, including the opening of 13 net new partner-operated stores in Asia (Taiwan and China) since Q4 2016.

Gross Profit

Total gross profit for Q4 2017 increased 18.9% to $75.8 million from $63.7 million in Q4 2016. Fiscal 2017 total gross profit increased 23.7% to $182.0 million, from $147.1 million in Fiscal 2016.

Q4 2017 gross profit in the DTC segment increased 18.9% to $71.7 million, from $60.3 million in Q4 2016. Q4 2017 Adjusted DTC Gross Margin was 60.7%, up 155 basis points from a Q4 2016 Adjusted DTC Gross Margin of 59.2%. Fiscal 2017 gross profit in the DTC segment increased 24.8% to $167.6 million, from $134.2 million in Fiscal 2016, with Adjusted DTC Gross Margin expansion of 206 basis points to 59.4% from 57.3% in Fiscal 2016. Year-over-year gross margin improvements for Q4 2017 and Fiscal 2017 reflect the benefits of the Company's merchandising initiatives, including the two-year implementation of the United Brand Range, that are driving lower costs and facilitating more full-priced selling, as well as favorable FX rates on goods purchased in US dollars.

Gross profit in the Partners and Other segment increased 18.0% to $4.1 million, from $3.4 million in Q4 2016. Fiscal 2017 gross profit in the Partners and Other segment increased 11.6% to $14.4 million, from $12.9 million in Fiscal 2016. Year-over-year gross profit improvement in the Partners and Other segment primarily reflects an increase in sales to the Company's operating partner in Asia (Taiwan and China).

Selling, general and administrative expenses

Selling, general and administrative expenses for Q4 2017 were $45.9 million, up 21.1% compared to $37.9 million in Q4 2016. For Fiscal 2017, selling, general and administrative expenses were $151.9 million, up 17.3% over $129.5 million in Fiscal 2016. The year-over-year increase for Q4 2017 and Fiscal 2017 was primarily driven by incremental costs to support higher sales, strategic investments to drive the growth of the business and costs incurred in relation to the Company's Initial Public Offering.

Adjusted EBITDA

Adjusted EBITDA increased by 16.2% to $36.7 million, from $31.6 million in Q4 2016. For Fiscal 2017, Adjusted EBITDA increased by 26.6% to $52.6 million, from $41.6 million in Fiscal 2016.

Net Income & Adjusted Net Income

The effective tax rate was 27.3% for Q4 2017, as compared to 29.1% in Q4 2016, and 28.3% for Fiscal 2017, as compared to 29.1% in Fiscal 2016. The decrease in the effective tax rate was primarily driven by fewer non-deductible expenses incurred in Q4 2017 and Fiscal 2017 as compared to the same periods in Fiscal 2016.

Net income increased 21.3% to $20.8 million, or $0.50 per share, compared to $17.2 million, or $0.41 per share, in Q4 2016. Net income for Fiscal 2017 improved 114% to $17.5 million, or $0.42 per share, as compared to $8.2 million, or $0.19 per share, in Fiscal 2016.

Adjusted Net Income increased 22.0% to $24.6 million, or $0.59 per share, compared to $20.2 million, or $0.48 per share, in Q4 2016. Adjusted Net Income for Fiscal 2017 increased 35.7% to $29.1 million, or $0.69 per share, compared to $21.5 million, or $0.51 per share, in Fiscal 2016.

Outlook

Based on the Company's continued strong financial performance in Fiscal 2017, the power of the Roots brand and the transformational process the Company is undergoing, Roots remains confident it is on track to achieve its previously stated financial targets by the end of Fiscal 2019:

- Sales of $410.0 million to $450.0 million
- Adjusted EBITDA of $61.0 million to $68.0 million
- Adjusted Net Income of $35.0 million to $40.0 million

Conference Call and Webcast Information

Roots will hold a conference call to discuss the Company's fourth quarter and year-end financial results on April 18, 2018, at 8:00 a.m. ET. All interested parties can join the call by dialing 647-427-7450 or 1-888-231-8191 and using conference ID: 8499489. Please dial-in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until April 25, 2018, at midnight and can be accessed by dialing 416-849-0833 or 1-855-859-2056 and entering replay passcode 8499489.

A live audio webcast of the conference call will be available on the Events and Presentations section of the Company's investor website at http://investors.roots.com or by following the link here. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available on the Company's website for one-year.

About Roots

Established in 1973, Roots is an iconic Canadian lifestyle brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear. Roots delivers products to customers through its store network, online platform and international partnerships. As of February 3, 2018, Roots' integrated omni-channel footprint included 116 company retail stores in Canada, three company retail stores in the United States, 110 partner-operated stores in Taiwan, 32 partner-operated stores in China and a global e-commerce platform. Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada".

Non-IFRS Measures and Industry Metrics

This press release makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to net income or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including Gross Margin, Adjusted DTC Gross Margin, EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted Net Income per Share. This press release also refers to Comparable Sales Growth, a commonly used metric in our industry but that may be calculated differently compared to other companies. We believe these non-IFRS measures and industry metrics provide useful information to both management and investors in measuring our financial performance and condition and highlight trends in our core business that may not

otherwise be apparent when relying solely on IFRS measures. Definitions and reconciliations of non-IFRS measures to the relevant reported measures can be found in our MD&A under "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics", which is available on SEDAR at www.sedar.com or the Company's Investor Relations website at https://investors.roots.com.

Forward-Looking Information

Certain information in this press release contains forward-looking information. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and are made as of the date of this press release. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors. Information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. Statements containing forward-looking information are not facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements.

See "Forward-Looking Information" and "Risk Factors" in the Company's Annual Information Form for the fiscal year ended February 3, 2018 for a discussion of the uncertainties, risks and assumptions associated with these statements. Readers are urged to consider the uncertainties, risks and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. We have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

ROOTS CORPORATION

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)

As at February 3, 2018 and January 28, 2017

	February 3, 2018	January 28, 2017
Assets		
Current assets:		
Cash	$ 1,809	$ 25,257
Accounts receivable	6,420	4,946
Inventories	35,407	32,682
Prepaid expenses	5,580	1,573
Total current assets	49,216	64,458
Non-current assets:		
Loan receivable	541	520
Fixed assets	36,981	31,219
Intangible assets	203,408	208,541
Goodwill	52,705	52,705
Total non-current assets	293,635	292,985
Total assets	$ 342,851	$ 357,443
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 18,306	$ 16,448
Deferred revenue	4,647	3,840
Income taxes payable	6,589	5,536
Current portion of long-term debt	4,984	5,550
Derivative Obligations	1,233	–
Total current liabilities	35,759	31,374
Non-current liabilities:		
Deferred tax liabilities	21,166	21,248
Deferred lease costs	4,815	2,154
Finance lease obligation	894	456
Long-term debt	79,481	98,909
Other non-current liabilities	1,763	2,118
Total non-current liabilities	108,119	124,885
Total liabilities	143,878	156,259
Shareholders' equity:		
Common shares	195,994	195,994
Contributed surplus	1,675	483
Accumulated other comprehensive loss	(904)	–
Retained earnings	2,208	4,707
Total shareholders' equity	198,973	201,184
Total liabilities and shareholders' equity	$ 342,851	$ 357,443

On behalf of the Board of Directors:

"Erol Uzumeri" Director

"Richard P. Mavrinac" Director

ROOTS CORPORATION

Consolidated Statement of Net Income
(In thousands of Canadian dollars, except per share amounts)

For the 53 week period ended February 3, 2018 and for the 52 week period ended January 28, 2017

	February 3, 2018	January 28, 2017
Sales	$ 326,057	$ 281,886
Cost of goods sold	144,059	134,733
Gross profit	181,998	147,153
Selling, general and administrative expenses	151,867	129,490
Income before interest expense and income taxes expense	30,131	17,663
Interest expense	5,728	6,112
Income before income taxes	24,403	11,551
Income taxes expense	6,902	3,366
Net income	$ 17,501	$ 8,185
Basic earnings per share	$ 0.42	$ 0.19
Diluted earnings per share	$ 0.41	$ 0.19

ROOTS CORPORATION

Consolidated Statement of Comprehensive Income
(In thousands of Canadian dollars)

For the 53 week period ended February 3, 2018 and for the 52 week period ended January 28, 2017

	February 3, 2018	January 28, 2017
Net income	$ 17,501	$ 8,185
Other comprehensive income (loss), net of taxes:		
Items that may be subsequently reclassified to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	(2,320)	–
Cost of hedging excluded from cash flow hedges	52	–
Tax impact of cash flow hedges	604	–
Total other comprehensive income (loss)	(1,664)	–
Total comprehensive income	$ 15,837	$ 8,185

ROOTS CORPORATION

Consolidated Statement of Changes in Shareholders' Equity
(In thousands of Canadian dollars)

For the 53 week period ended February 3, 2018 and for the 52 week period ended January 28, 2017

February 3, 2018	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance, January 29, 2017	$ 195,994	$ 483	$ 4,707	$ –	$ 201,184
Net income	$ –	$ –	$ 17,501	$ –	$ 17,501
Net gain (loss) from change in fair value of cash flow hedges, net of income taxes,	–	–	–	(1,664)	(1,664)
Transfer of realized loss on cash flow hedges to inventories, net of income taxes	–	–	–	760	760
Distributions declared	–	–	(20,000)	–	(20,000)
Share-based compensation	–	1,192	–	–	1,192
Balance, February 3, 2018	$ 195,994	$ 1,675	$ 2,208	$ (904)	$ 198,973

January 28, 2017	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 31, 2016	$ 195,744	$ 9	$ (3,478)	$ –	$ 192,275
Net income	$ –	$ –	$ 8,185	$ –	$ 8,185
Issuance of shares	250	–	–	–	250
Share-based compensation	–	474	–	–	474
Balance, January 28, 2017	$ 195,994	$ 483	$ 4,707	$ –	$ 201,184

ROOTS CORPORATION

Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)

For the 53 week period ended February 3, 2018 and for the 52 week period ended January 28, 2017

	February 3, 2018	January 28, 2017
Cash provided by (used in):		
Operating activities:		
Net income	$ 17,501	$ 8,185
Items not involving cash:		
Depreciation and amortization	10,886	9,803
Share-based compensation expense	1,192	474
Impairment of fixed assets	1,281	987
Deferred lease costs	847	1,622
Amortization of lease intangibles	907	1,321
Interest expense	5,728	6,112
Income taxes expense	6,902	3,366
Interest paid	(5,105)	(5,528)
Taxes paid	(5,602)	(513)
Change in non-cash operating working capital:		
Accounts receivable	(1,474)	564
Inventories	(2,725)	5,736
Prepaid expenses	(4,007)	(81)
Accounts payable and accrued liabilities	2,514	(2,404)
Deferred revenue	807	424
	29,652	30,068
Financing activities:		
Long-term debt financing costs	(999)	–
Repayment of long-term debt	(19,654)	(4,163)
Finance lease payments	(203)	–
Distributions paid	(20,000)	–
Issuance of common shares	–	250
	(40,856)	(3,913)
Investing activities:		
Additions to fixed assets	(14,058)	(12,813)
Tenant allowance received	1,814	764
	(12,244)	(12,049)
Increase in cash	(23,448)	14,106
Cash, beginning of period	25,257	11,151
Cash, end of period	$ 1,809	$ 25,257

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