



Roots Reports Fiscal 2020 Year-End and Fourth Quarter Results

Improved profitability in fiscal 2020 and demonstrated strength of omni-channel capabilities with eCommerce sales up more than 60% for the quarter

TORONTO, April 8, 2021 – [Roots](#) (“Roots,” “Roots Canada” or the “Company”) (TSX: ROOT), a premium outdoor-lifestyle brand, today announced its financial results for its fiscal year and fourth quarter ended January 30, 2021 (“F2020” and “Q4 2020”, respectively). All financial results are reported in Canadian dollars unless otherwise stated. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See “Non-IFRS Measures and Industry Metrics”.

Fiscal 2020 Business Highlights

- Demonstrated strength of the Company’s market position around comfort and quality with increased demand for major product categories and positive sell-throughs of new products, driving substantial gross margin expansion.
- Increased eCommerce sales 50% year-over-year, partially offsetting the impact of pandemic-related store closures for 31% of the year (35% for Q4 2020), and generated nearly 50% of F2020 Direct-to-Consumer (“DTC”) sales online, facilitated by the Company’s omni-channel platform.
- Improved profitability year-over-year by actively managing costs across all areas of the business.
- Achieved profitability in the U.S. with transition to a digitally-led strategy, including closing seven stores, which resulted in the elimination of significant Adjusted EBITDA losses and eCommerce growth rates in excess of 65% in the fourth quarter.
- Effectively managed liquidity with a 53% year-over-year increase in available liquidity as at the end of F2020 and a reduction in leverage from 3.7x fiscal 2019 (“F2019”) Adjusted EBITDA to 1.6x F2020 Adjusted EBITDA.
- Repurposed a portion of Company-operated leather factory for non-medical face mask production, establishing a new revenue stream and donating a portion of the proceeds to charity
- Donated more than \$2.0 million in products and financial support to charitable organizations across Canada.

Fiscal 2020 Financial Highlights

- Total sales of \$240.5 million, compared to \$329.9 million in F2019.
 - DTC sales of \$208.2 million, compared to \$287.8 million in F2019.
- Gross margin of 58.1%, compared to 53.4% in F2019.
 - DTC Gross Margin of 61.1%, up 490 basis points from 56.2% in F2019.
- Selling, general and administrative expenses of \$113.9 million (excluding fixed asset impairment of \$0.9 million), down from \$169.1 million in F2019 (excluding fixed asset impairment of \$19.2 million).
- Adjusted EBITDA of \$38.7 million, a 48.6% increase from \$26.1 million in F2019.
- Net income per share of \$0.31, improved from a net loss per Share of (\$1.47) in F2019.
- Adjusted Net Income per Share of \$0.39, improved from \$0.10 per Share in F2019.

Fourth Quarter Fiscal 2020 Highlights

- Total sales of \$99.4 million, compared to \$127.5 million in the fourth quarter of fiscal 2019 ("Q4 2019").
 - DTC sales of \$91.8 million, compared to \$119.1 million in Q4 2019.
- Gross margin of 59.2%, compared to 54.4% in Q4 2019.
 - DTC Gross Margin of 59.8%, up 460 basis points from 55.2% in Q4 2019.
- Selling, general and administrative expenses of \$38.1 million (excluding fixed asset impairment of \$0.9 million), down from \$50.2 million in Q4 2019 (excluding fixed asset impairment of \$19.2 million).
- Adjusted EBITDA of \$26.1 million, in line with \$26.1 million in Q4 2019.
- Net income per share of \$0.29, improved from a net loss per Share of (\$1.06) in Q4 2019.
- Adjusted Net Income per Share of \$0.39, improved from \$0.31 per Share in Q4 2019.

"In fiscal 2020, we navigated unprecedented disruption in our industry; however, as a result of the team's resilience, determination and passion, we ended the year stronger than we started," said Meghan Roach, President and Chief Executive Officer, Roots. "Our performance reflects the strength of the Roots brand, the loyalty of our customer base, and the capabilities of our omni-channel platform. As a brand known for comfort and quality, our products continued to resonate with customers, and our disciplined approach to promotional activity, focus on cost controls, and efficiencies at our distribution centre strengthened our bottom-line results."

Ms. Roach added: "Despite the fact that most of our retail locations were closed during what is typically our busiest and most productive time of the year, we were able to deliver profitability for the fourth quarter that was in line with the previous year when all of our stores were open. While we continue to face government mandated temporary store closures in Q1 2021, we are confident in our capabilities to manage the business through these challenging times."

Summary of Fiscal 2020 Full-Year and Fourth Quarter Results

Sales

Total F2020 sales were \$240.5 million, down 27.1% from total sales of \$329.9 million in F2019. F2020 DTC sales (corporate retail store and eCommerce sales) were \$208.2 million, down from \$287.8 million in F2019. The year-over-year decrease was predominantly due to a decline in store sales as a result of COVID-19 impacts, including government mandated temporary store closures, traffic declines, capacity limitations, and reduced store operating hours. These headwinds were partially offset by strong eCommerce sales, which increased more than 50% over F2019.

For Q4 2020, typically the Company's seasonally strongest quarter, total sales were \$99.4 million, down 22.0% from total sales of \$127.5 million in Q4 2019. Q4 2020 DTC sales were \$91.8 million, down from \$119.1 million in Q4 2019. The year-over-year decline was predominantly a result of the aforementioned COVID-19 impacts, in particular, temporary store closures in certain markets as a result of a second wave of the COVID-19 virus. These headwinds were partially offset by strong eCommerce sales, which increased more than 60% over Q4 2019.

Roots F2020 Partners and Other sales (wholesale Roots-branded products, royalties on partner retail sales, licensing to select manufacturing partners and the sale of certain custom Roots-branded products) were \$32.3 million, down from \$42.1 million in F2019, primarily reflecting COVID-19-related declines in the Company's Asia partner wholesale purchases and decreases in demand in the

Company's licensing and wholesale businesses. For Q4 2020, Partners and Other sales were \$7.6 million, down from \$8.4 million in Q4 2019.

Gross Profit

As a result of the negative impact of COVID-19 on overall sales, Roots F2020 total gross profit was \$139.7 million, down from \$176.2 million in F2019. For Q4 2020, total gross profit was \$58.9 million, down from \$69.3 million in Q4 2019.

F2020 Gross Margin was 58.1%, up from 53.4% in F2019. Gross Margin for Q4 2020 was 59.2%, up from 54.4% in Q4 2019. The 470-basis point and 480-basis point improvement for F2020 and Q4 2020, respectively, predominantly reflects the Company's decision to decrease promotional breadth and depth year-over-year. While the reductions in promotions likely placed some downward pressure on sales in the short term, the Company believes it is beneficial to the brand and profitability of the business over the long term.

Selling, General and Administrative Expenses ("SG&A")

F2020 SG&A was \$113.9 million (excluding fixed asset impairment of \$0.9 million), down from \$169.1 million in F2019 (excluding fixed asset impairment of \$19.2 million). The year-over-year decrease predominantly reflects \$37.6 million in savings driven by the Company's efforts to reduce costs across all areas of the business as a result of COVID-19. Roots realized savings related to lower overall store wages as a result of government-mandated temporary store closures, reduced store operating hours and labour managed in accordance with store sales, as well as the management of overall corporate costs, including rent savings of \$7.5 million.

F2020 SG&A also reflects \$0.7 million in government rent subsidies and \$9.6 million in government wage subsidies (of the total \$12.8 million wage subsidy benefit the Company recognized in the year). In addition, the Company realized \$7.3 million in SG&A savings associated with the Company's U.S. business, predominantly as a result of the permanent closure of seven U.S. corporate retail stores in the first quarter of fiscal 2020 ("Q1 2020").

For Q4 2020, SG&A was \$38.1 million (excluding fixed asset impairment of \$0.9 million), down from \$50.2 million in Q4 2019 (excluding fixed asset impairment of \$19.2 million). The year-over-year decrease predominantly reflects \$7.3 million in COVID-19-related cost reductions as mentioned above, including \$1.7 million in rent savings.

Q4 2020 SG&A also reflects \$0.7 million in government rent subsidies and \$1.2 million in government wage subsidies (of the total \$1.6 million wage subsidy benefit the Company recognized in the quarter) and \$3.0 million in SG&A savings associated with the Company's U.S. business, predominantly as a result of the permanent closure of seven U.S. corporate retail stores in Q1 2020.

Adjusted EBITDA, Net Income (Loss) & Adjusted Net Income (Loss)

Reflecting factors discussed above, Adjusted EBITDA (which excludes the impact of IFRS 16, Leases ("IFRS 16") and non-cash impairments) was \$38.7 million for F2020, a 48.6% increase from \$26.1 million in F2019. F2019 includes (\$6.1) million of losses related to the Company's now-closed U.S. corporate retail stores. Adjusted EBITDA for Q4 2020 was \$26.1 million, consistent with

\$26.1 million in Q4 2019. Q4 2019 includes (\$2.0) million of losses related to the Company's now-closed U.S. corporate retail stores.

F2020 net income improved to \$13.1 million, or \$0.31 per share, from a net loss of (\$62.0) million, or (\$1.47) per share, which includes a goodwill impairment of \$44.8 million. Adjusted Net Income (which excludes the impact of IFRS 16 and non-cash impairments) improved to \$16.5 million for F2020, or \$0.39 per share, from \$4.0 million, or \$0.10 per share, in F2019.

Q4 2020 net income improved to \$12.3 million, or \$0.29 per share, from a net loss of (\$44.6) million, or (\$1.06) per share, in Q4 2019, which also includes the goodwill impairment discussed above. Adjusted Net Income (which excludes the impact of IFRS 16 and non-cash impairments) for Q4 2020 was \$16.3 million, or \$0.39 per share, and increase from \$13.3 million, or \$0.31 per share, in Q4 2019.

COVID-19 Business Update

In the fourth quarter of 2020, in response to a second wave of government mandated lockdowns, the Company temporarily closed corporate retail stores within certain regions of Canada. As of March 11, 2021, the Company had reopened all but two corporate retail stores in these regions.

This month, in accordance with further changes to provincial guidelines, the Company has shifted its store operations to curbside pick-up and eCommerce fulfillment only for certain regions in Québec, effective April 2, 2021, and for the province of Ontario, effective April 8, 2021. This represents two corporate-retail stores in Québec, as well as 62 corporate-retail stores and five pop-up locations in Ontario. The changes in operation for these locations will be in place for at least 10 days in Québec and four weeks in Ontario.

Conference Call and Webcast Information

Roots will hold a conference call to discuss the Company's fiscal 2020 year-end and fourth quarter results on April 8, 2021, 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: 5195015. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until April 15, 2021, at midnight and can be accessed by dialing 416-849-0833 or 1-855-859-2056 and entering replay passcode: 5195015.

A live audio webcast of the conference call will be available on the Events and Presentations section of the Company's investor website at <https://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.

See Roots Consolidated Financial Statements and the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year and fourth quarter ended January 30, 2021, on the Company's investor website at <https://investors.roots.com> and on SEDAR at www.SEDAR.com.

About Roots

Established in 1973, Roots is a premium outdoor-lifestyle brand. We unite the best of cabin and city through unmistakable style built with uncompromising comfort and quality. We offer a broad range of products designed for life's everyday adventures, including women's and men's apparel, leather goods, footwear, accessories, and kids, toddler and baby apparel. Starting from a little cabin in Algonquin Park, Canada, Roots has grown to become a global brand. As of January 30, 2021, we operated 111 corporate-retail stores in Canada, two corporate-retail stores in the United States, 117 partner-operated stores in Taiwan, 26 partner-operated stores

in China, two partner-operated stores in Hong Kong and a global eCommerce platform, roots.com. Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada".

Non-IFRS Measures and Industry Metrics

Roots has historically reported Comparable Sales Growth (Decline) as an additional metric to demonstrate the performance of its DTC business. However, as a result of the negative impacts COVID-19 has had on the apparel retail operating environment, including periods of store closures, phased re-openings and retail store operating limitations, the Company does not believe that Comparable Sales Growth (Decline) is a representative metric of fiscal 2020 performance.

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 DTC Gross Margin, EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) per Share. 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 current Annual Information Form 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 January 30, 2021 and February 1, 2020

	January 30, 2021	February 1, 2020
Assets		
Current assets:		
Cash	\$ 9,166	\$ 949
Accounts receivable	7,165	7,158
Inventories	42,401	40,152
Prepaid expenses	3,137	5,418
Total current assets	61,869	53,677
Non-current assets:		
Loan receivable	608	585
Lease receivable	1,187	1,511
Fixed assets	47,981	55,694
Right-of-use assets	79,995	128,322
Intangible assets	190,777	193,079
Goodwill	7,906	7,906
Total non-current assets	328,454	387,097
Total assets	\$ 390,323	\$ 440,774
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ —	\$ 7,226
Accounts payable and accrued liabilities	25,850	20,252
Deferred revenue	5,759	6,011
Income taxes payable	5,955	2,008
Current portion of lease liabilities	22,197	26,569
Current portion of long-term debt	4,984	4,984
Derivative obligations	418	158
Total current liabilities	65,163	67,208
Non-current liabilities:		
Deferred tax liabilities	15,891	13,942
Long-term portion of lease liabilities	78,989	124,590
Long-term debt	66,100	84,528
Total non-current liabilities	160,980	223,060
Total liabilities	226,143	290,268
Shareholders' equity:		
Share capital	197,333	196,903
Contributed surplus	3,682	3,407
Accumulated other comprehensive income (loss)	(227)	(116)
Retained earnings (deficit)	(36,608)	(49,688)
Total shareholders' equity	164,180	150,506
Total liabilities and shareholders' equity	\$ 390,323	\$ 440,774

On behalf of the Board of Directors:

"Erol Uzumeri" Director
"Richard P. Mavrincac" Director

ROOTS CORPORATION

Consolidated Statement of Net Income (Loss)

(In thousands of Canadian dollars, except per share amounts)

For the 52-week periods ended January 30, 2021 and February 1, 2020

	January 30, 2021	February 1, 2020
Sales	\$ 240,506	\$ 329,865
Cost of goods sold	100,767	153,676
Gross profit	139,739	176,189
Selling, general and administrative expenses	114,807	188,308
Goodwill impairment	—	44,799
Gain from deconsolidation of RTS USA Corp.	4,774	—
Income (loss) before interest expense and income taxes expense (recovery)	29,706	(56,918)
Interest expense	11,741	15,567
Income (loss) before income taxes	17,965	(72,485)
Income taxes expense (recovery)	4,885	(10,456)
Net income (loss)	\$ 13,080	\$ (62,029)
Basic earnings (loss) per share	\$ 0.31	\$ (1.47)
Diluted earnings (loss) per share	\$ 0.31	\$ (1.47)

ROOTS CORPORATION

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

For the 52-week periods ended January 30, 2021 and February 1, 2020

	January 30, 2021	February 1, 2020
Net income (loss)	\$ 13,080	\$ (62,029)
Other comprehensive income, net of taxes:		
Items that may be subsequently reclassified to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	362	425
Cost of hedging excluded from cash flow hedges	(22)	362
Tax impact of cash flow hedges	(91)	(210)
Total other comprehensive income	249	577
Total comprehensive income (loss)	\$ 13,329	\$ (61,452)

ROOTS CORPORATION

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

For the 52-week periods ended January 30, 2021 and February 1, 2020

January 30, 2021	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance, February 1, 2020	\$ 196,903	\$ 3,407	\$ (49,688)	\$ (116)	\$ 150,506
Net income	–	–	13,080	–	13,080
Net gain from change in fair value of cash flow hedges, net of income taxes	–	–	–	249	249
Transfer of realized loss on cash flow hedges to inventories, net of income taxes	–	–	–	(360)	(360)
Share-based compensation	–	705	–	–	705
Issuance of shares	430	(430)	–	–	–
Balance, January 30, 2021	\$ 197,333	\$ 3,682	\$ (36,608)	\$ (227)	\$ 164,180

February 1, 2020	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, February 2, 2019	\$ 196,853	\$ 3,975	\$ 13,608	\$ 268	\$ 214,704
Adjustment on adoption of IFRS 16	–	–	(1,267)	–	(1,267)
Balance, February 3, 2019	\$ 196,853	\$ 3,975	\$ 12,341	\$ 268	\$ 213,437
Net loss	–	–	(62,029)	–	(62,029)
Net gain from change in fair value of cash flow hedges, net of income taxes	–	–	–	577	577
Transfer of realized loss on cash flow hedges to inventories, net of income taxes	–	–	–	(961)	(961)
Share-based compensation	–	(518)	–	–	(518)
Issuance of shares	50	(50)	–	–	–
Balance, February 1, 2020	\$ 196,903	\$ 3,407	\$ (49,688)	\$ (116)	\$ 150,506

ROOTS CORPORATION

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

For the 52-week periods ended January 30, 2021 and February 1, 2020

	January 30, 2021	February 1, 2020
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 13,080	\$ (62,029)
Items not involving cash:		
Depreciation and amortization	33,325	39,606
Share-based compensation expense (recovery)	705	(518)
Impairment of fixed assets and right-of-use assets	2,048	22,398
Impairment of goodwill	—	44,799
Gain from deconsolidation of RTS USA Corp.	(4,774)	—
Unrealized losses on forward contracts	105	—
Gain on lease modification	(310)	(520)
Rent concessions related to practical expedient	(3,525)	—
Interest expense	11,741	15,567
Income taxes expense (recovery)	4,885	(10,456)
Interest paid	(4,337)	(5,904)
Payment of interest on lease liabilities	(6,724)	(9,048)
Taxes refunded (paid)	1,056	(2,200)
Change in non-cash operating working capital:		
Accounts receivable	(7)	(531)
Inventories	(4,540)	9,381
Prepaid expenses	2,281	1,025
Accounts payable and accrued liabilities	6,165	(2,039)
Deferred revenue	(252)	513
	50,922	40,044
Financing activities:		
Issuance (repayment) of long-term debt	(14,000)	9,000
Long-term debt financing costs	(148)	(163)
Repayment of Term Credit Facility	(4,984)	(4,984)
Payment of principal on lease liabilities, net of tenant allowance	(12,383)	(17,436)
	(31,515)	(13,583)
Investing activities:		
Additions to fixed assets	(3,423)	(22,320)
Deconsolidation of RTS USA Corp.	(541)	—
	(3,964)	(22,320)
Increase in cash	15,443	4,141
Cash and bank indebtedness, beginning of period	(6,277)	(10,418)
Cash and bank indebtedness, end of period	\$ 9,166	\$ (6,277)

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FOR FURTHER INFORMATION PLEASE CONTACT:

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