Roots Reports Fiscal 2021 First Quarter Results

Grew total sales 25%, expanded gross margins and improved profitability

TORONTO, June 11, 2021 – Roots ("Roots," "Roots Canada" or the "Company") (TSX: ROOT), a premium outdoor-lifestyle brand, today announced its financial results for its first quarter ended May 1, 2021 ("Q1 2021"). 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".

Roots Q1 2021 financial results reflect ongoing impacts of COVID-19, most notably the temporary closure of the Company's North American store fleet for approximately 30% of the quarter, compared to closures for approximately 50% of the first quarter in fiscal 2020 ("Q1 2020").

Fiscal 2021 First Quarter Financial Highlights

- Total sales of $37.3 million, up 24.7% from $29.9 million in Q1 2020.
  - Direct-to-Consumer ("DTC") sales of $31.4 million, up 27.6% from $24.6 million in Q1 2020.
- Gross margin of 57.5%, up 260 basis points from 54.9% in Q1 2020.
  - DTC Gross Margin of 61.2%, up 320 basis points from 58.0% in Q1 2020.
- Selling, general and administrative expenses of $25.9 million, down from $27.8 million in Q1 2020.
- Adjusted EBITDA of ($2.5) million, improved from ($7.5) million in Q1 2020.
- Net loss per share of ($0.12), improved from a net loss per share of ($0.18) in Q1 2020.
- Adjusted Net Loss per Share of ($0.10), improved from ($0.22) per Share in Q1 2020.

Fiscal 2021 First Quarter Business Highlights

- Increased eCommerce sales by approximately 50% year-over-year, partially offsetting store sales declines during periods of closure.
- Released a limited-edition, premium fleece collection, which was crafted at the Company's Canadian leather factory and sold out in 48 hours.
- Amplified the brand with the launch of multiple collaborations, including Révolutionnaire x Roots, Roots x Emma Knight and ROOTS X AVENGERS S.T.A.T.I.O.N.
- Generated excitement with new and existing customers with the release of the Roots Retro Collection, a re-launch of a beloved logo from the Company's archives, and expanded colour options for some of the Company's most iconic leather products.
- Furthered the Company's commitment to supporting the communities in which it operates, donating a portion of sales from the Company's made-in-Canada masks and select collaboration collection items to the Black Academy and Girls E-Mentorship.

"Our Q1 2021 results highlight excitement for the brand, our omni-channel capabilities, and our success in driving operational and cost efficiencies," said Meghan Roach, President and Chief Executive Officer, Roots. "Despite the volatility of our current operating environment, we have significantly strengthened the fundamentals of the Company over the past five quarters. As we continue to navigate through the pandemic, including government-mandated store closures that have

persisted into our second quarter, we will continue to control what we can and thoughtfully respond to that which we cannot."

"As we slowly emerge from the pandemic, we believe customers will seek to express their style without sacrificing the comfort, quality, versatility, and digital convenience to which they have become accustomed," Ms. Roach added. "These are all key areas of strength for Roots. With a focus on the long term, we will continue to amplify our iconic brand with great creative and product execution, reinvest to drive growth in profitable ways, and support the communities that have been part of Roots for nearly 50 years."

Summary of Fiscal 2021 First Quarter Results

Sales
Total Q1 2021 sales were $37.3 million, up 24.7% from total sales of $29.9 million in Q1 2020. DTC sales (corporate retail store and eCommerce sales) were $31.4 million for Q1 2021, a 27.6% improvement over $24.6 million in Q1 2020. During Q1 2021, the Company continued to manage COVID-19 impacts, including government-mandated temporary store closures, traffic declines, capacity limitations, and reduced store operating hours. Stores were closed for approximately 30% of Q1 2021, compared to approximately 50% of Q1 2020. eCommerce sales continued to deliver strong year-over-year growth, increasing approximately 50% over Q1 2020.

Roots Q1 2021 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 $5.9 million, up 11.3% from $5.3 million in Q1 2020. The year-over-year improvement primarily reflects an increase in the Company's Asia partner business in Taiwan, which was significantly impacted by temporary store closures and reduced traffic in Q1 2020 as a result of COVID-19. It is also the result of a shift in timing of wholesale orders that contributed to higher sales in the quarter as compared to Q1 2020.

Gross Profit
Q1 2021 total gross profit was $21.5 million, a 30.7% increase from $16.4 million in Q1 2020, reflecting the year-over-year improvement in overall sales. Q1 2021 Gross Margin was 57.5%, up from 54.9% in Q1 2020. The 260-basis point improvement predominantly reflects the benefits of the Company's promotional discipline in Q1 2021.

Selling, General and Administrative Expenses ("SG&A")
Q1 2021 SG&A was $25.9 million, down from $27.8 million in Q1 2020. The year-over-year decrease predominantly reflects the Company's continued efforts to reduce costs and increase efficiencies across the business in response to COVID-19. These savings were partially offset by higher variable costs as a result of the year-over-year increase in DTC sales as well as higher corporate costs related to investments in talent and marketing.

Q1 2021 SG&A also reflects $2.5 million in government rent and wage subsidies compared to $1.3 million in Q1 2020 (of the total $2.9 million and $1.5 million recognized in Q1 2021 and Q1 2020, respectively). In addition, in Q1 2021, the Company realized $1.7 million in SG&A savings associated with the Company's U.S. business, primarily 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 includes rent expense) was ($2.5) million for Q1 2021, compared to ($7.5) million in Q1 2020. Q1 2020 includes ($2.1) million of Adjusted EBITDA losses related to the Company's now-closed seven U.S. corporate retail stores.

Q1 2021 net loss was ($4.9) million, or ($0.12) per share, compared to a net loss of ($7.8) million, or ($0.18) per share, in Q1 2020. Adjusted Net Loss (which excludes the impact of IFRS 16 and includes rent expense) for Q1 2021 was ($4.2) million, or ($0.10) per share, compared to an Adjusted Net Loss of ($9.1) million, or ($0.22) per share, in Q1 2020.

COVID-19 Business Update
Roots entered Q1 2021 having temporarily closed corporate retail stores within certain regions of Canada in response to a second wave of COVID-19 and resulting government-mandated lockdowns. As of March 11, 2021, the Company had reopened all but two corporate retail stores in these regions.

In April 2021, in response to a third wave of COVID-19 in Canada and resulting changes to provincial guidelines, Roots temporarily closed its stores to the public, shifting to curbside pick-up and eCommerce fulfillment only for certain regions in Québec and Ontario. This represented two corporate retail stores in Québec, as well as 62 corporate retail stores and five pop-up locations in Ontario. Late in the month, in accordance with provincial government requirements, the Company also temporarily closed its four corporate retail stores in Nova Scotia.

Subsequent to quarter-end, Roots reopened its two stores in Québec in early May and its four Nova Scotia stores in early June. In addition, the Government of Ontario announced that non-essential retailers will be able to open street-front locations in Ontario on June 11, 2021, at 15% capacity. As a result, Roots will be reopening 26 of its 62 closed Ontario locations today.

During the second quarter of fiscal 2021 ("Q2 2021") Roots anticipates having a higher number of temporary corporate retail store closures in Ontario, its largest market and typically highest revenue stores, in comparison to the second quarter of fiscal 2020 ("Q2 2020"). In addition, Roots is operating under tighter government-mandated capacity limitations. To partially offset the short-term pressures, the Company will continue to manage costs and leverage government programs for which it is eligible. However, due to changes in the program, the government wage subsidy is available at a declining rate compared to Q2 2020. As government operating restrictions ease and the short-term pressures alleviate, Roots expects to return to recovery.

Amendment to Company's Credit Agreement
Subsequent to Q1 2021, Roots amended its credit facility to extend the original maturity date of September 2022 to September 2024. In addition, the amendment adjusted certain definitions, covenant limits, and reduced the $75 million revolving credit facility, that includes the swing loan of $10 million, to $60 million.

Conference Call and Webcast Information
Roots will hold a conference call to discuss the Company's fiscal 2021 first quarter results on June 11, 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: 1687595. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until June 18, 2021, at midnight, and can be accessed by dialing 416-849-0833 or 1-855-859-2056 and entering replay passcode: 1687595.

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 quarter ended May 1, 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. We operate more than 100 retail stores across North America and ship to more than 60 countries worldwide via roots.com, our eCommerce platform. We also have more than 100 partner-operated stores and sell our products through leading third-party retail sites in Asia. 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. Commencing in Q1 2020, the Company's DTC segment was significantly impacted by COVID-19. 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 performance in affected periods. Management will continue to monitor and evaluate the effects of COVID-19 and will resume the evaluation of Comparable Sales Growth (Decline) when year-over-year results are no longer significantly impacted by COVID-19.

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

Interim Condensed Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	May 1, 2021	January 30, 2021
Assets		
Current assets:		
Cash	$ 4,578	$ 9,166
Accounts receivable	7,654	7,165
Inventories	42,493	42,401
Prepaid expenses	3,021	3,137
Total current assets	57,746	61,869
Non-current assets:		
Loan receivable	608	608
Lease receivable	1,103	1,187
Fixed assets	46,439	47,981
Right-of-use assets	77,983	79,995
Intangible assets	190,205	190,777
Goodwill	7,906	7,906
Total non-current assets	324,244	328,454
Total assets	$ 381,990	$ 390,323
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 495	$ –
Accounts payable and accrued liabilities	17,391	25,850
Deferred revenue	5,447	5,759
Income taxes payable	3,237	5,955
Current portion of lease liabilities	22,503	22,197
Current portion of long-term debt	4,984	4,984
Derivative obligations	813	418
Total current liabilities	54,870	65,163
Non-current liabilities:		
Deferred tax liabilities	16,170	15,891
Long-term portion of lease liabilities	76,386	78,989
Long-term debt	75,532	66,100
Total non-current liabilities	168,088	160,980
Total liabilities	222,958	226,143
Shareholders' equity:		
Share capital	197,333	197,333
Contributed surplus	3,755	3,682
Accumulated other comprehensive income (loss)	(595)	(227)
Retained earnings (deficit)	(41,461)	(36,608)
Total shareholders' equity	159,032	164,180
Total liabilities and shareholders' equity	$ 381,990	$ 390,323

On behalf of the Board of Directors:

"Erol Uzumeri" Director

"Richard P. Mavrinac" Director & Audit Committee Chair

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Net Loss
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

For the 13 week periods ended May 1, 2021 and May 2, 2020

	May 1, 2021 (13 weeks)	May 2, 2020 (13 weeks)
Sales	$ 37,345	$ 29,949
Cost of goods sold	15,871	13,516
Gross profit	21,474	16,433
Selling, general and administrative expenses	25,879	27,806
Gain from deconsolidation of RTS USA Corp.	–	4,774
Loss before interest expense and income taxes recovery	(4,405)	(6,599)
Interest expense	2,278	3,747
Loss before income taxes recovery	(6,683)	(10,346)
Income taxes recovery	(1,745)	(2,561)
Net loss	$ (4,938)	$ (7,785)
Basic loss per share	$ (0.12)	$ (0.18)
Diluted loss per share	$ (0.12)	$ (0.18)

ROOTS CORPORATION

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

For the 13 week periods ended May 1, 2021 and May 2, 2020

	May 1, 2021 (13 weeks)	May 2, 2020 (13 weeks)
Net loss	$ (4,938)	$ (7,785)
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	(912)	3,499
Cost of hedging excluded from cash flow hedges	(1)	(36)
Tax impact of cash flow hedges	243	(985)
Total other comprehensive income (loss)	(670)	2,478
Total comprehensive loss	$ (5,608)	$ (5,307)

ROOTS CORPORATION

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

For the 13 week periods ended May 1, 2021 and May 2, 2020

May 1, 2021 (13 weeks)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, January 30, 2021	$ 197,333	$ 3,682	$ (36,608)	$ (227)	$ 164,180
Adjustment on amendment of IFRS 16	–	–	85	–	85
Balance, January 31, 2021	197,333	3,682	(36,523)	(227)	164,265
Net loss	–	–	(4,938)	–	(4,938)
Net loss from change in fair value of cash flow hedges, net of income taxes	–	–	–	(670)	(670)
Transfer of realized gain on cash flow hedges to inventories, net of income taxes	–	–	–	302	302
Share-based compensation	–	73	–	–	73
Balance, May 1, 2021	$ 197,333	$ 3,755	$ (41,461)	$ (595)	$ 159,032

May 2, 2020 (13 weeks)	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 1, 2020	$ 196,903	$ 3,407	$ (49,688)	$ (116)	$ 150,506
Net loss	–	–	(7,785)	–	(7,785)
Net gain from change in fair value of cash flow hedges, net of income taxes	–	–	–	2,478	2,478
Transfer of realized loss on cash flow hedges to inventories, net of income taxes	–	–	–	(186)	(186)
Share-based compensation	–	152	–	–	152
Balance, May 2, 2020	$ 196,903	$ 3,559	$ (57,473)	$ 2,176	$ 145,165

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

For the 13 week periods ended May 1, 2021 and May 2, 2020

	May 1, 2021 (13 weeks)	May 2, 2020 (13 weeks)
Cash generated from (used in):		
Operating activities:		
Net loss	$ (4,938)	$ (7,785)
Items not involving cash:		
Depreciation and amortization	7,518	8,859
Share-based compensation expense	73	152
Gain from deconsolidation of RTS USA Corp.	–	(4,774)
Unrealized loss on de-designated forward contracts	–	(318)
Rent concessions related to practical expedient	(180)	–
Interest expense	2,278	3,747
Income taxes recovery	(1,745)	(2,561)
Settlement of de-designated forward contracts	(105)	–
Interest paid	(670)	(1,378)
Payment of interest on lease liabilities	(1,430)	(2,201)
Taxes refunded (paid)	(594)	3,503
Change in non-cash operating working capital:		
Accounts receivable	(489)	837
Inventories	(92)	(2,443)
Prepaid expenses	116	3,093
Accounts payable and accrued liabilities	(8,459)	4,549
Deferred revenue	(312)	(624)
	(9,029)	2,656
Financing activities:		
Issuance of long-term debt	10,500	14,000
Long-term debt financing costs	–	(146)
Repayment of long-term debt	(1,246)	(1,246)
Payment of principal on lease liabilities, net of tenant allowance	(4,613)	(2,452)
	4,641	10,156
Investing activities:		
Additions to fixed assets	(695)	(1,013)
Deconsolidation of RTS USA Corp.	–	(541)
	(695)	(1,554)
Increase (decrease) in cash	(5,083)	11,258
Cash and bank indebtedness, beginning of period	9,166	(6,277)
Cash and bank indebtedness, end of period	$ 4,083	$ 4,981

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FOR FURTHER INFORMATION PLEASE CONTACT:

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