



## Roots Reports Fiscal 2021 Second Quarter Results

*Company increased sales, expanded gross margins, and improved profitability*

**TORONTO, September 10, 2021** – [Roots](#) (“Roots,” “Roots Canada” or the “Company”) (TSX: ROOT), a premium outdoor-lifestyle brand, today announced its financial results for its second quarter ended July 31, 2021 (“Q2 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”.

In Q2 2021, Roots delivered year-over-year sales growth, gross margin expansion and improved profitability, despite ongoing temporary store closures as a result of COVID-19. Most notably, in Ontario, which represents the Company’s largest market, corporate-operated stores were closed for approximately 60% of the quarter, compared to approximately 45% of the second quarter ended August 1, 2020 (“Q2 2020”).

### Fiscal 2021 Second Quarter Financial Highlights

- Total sales of \$38.9 million, up from \$38.2 million in Q2 2020.
  - Direct-to-Consumer (“DTC”) sales of \$30.4 million, up from \$28.5 million in Q2 2020.
- Gross margin of 58.1%, up 340 basis points from 54.7% in Q2 2020.
  - DTC Gross Margin of 63.4%, up 120 basis points from 62.2% in Q2 2020.
- Selling, general and administrative expenses of \$21.8 million, compared to \$21.4 million in Q2 2020.
- Adjusted EBITDA of \$2.9 million increased from \$1.1 million in Q2 2020.
- Net loss per share of (\$0.03) improved from (\$0.04) per share in Q2 2020.
- Adjusted Net Loss per Share of (\$0.01) improved from (\$0.04) per share in Q2 2020.

### Fiscal 2021 Second Quarter Business Highlights

- Achieved healthy year-over-year store sales growth, reinforcing customers’ desire to shop in-store and the Company’s strong market position.
- Delivered significant eCommerce sales growth over pre-pandemic levels, despite year-over-year sales moderating as customers increasingly embraced in-store shopping again.
- Opened five new pop-ups, bringing the total to 11 altogether.
- Amplified the brand with exciting new collaborations, including Tim Hortons and Jason Logan + The Toronto Ink Company.
- 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 LGBT Youthline, and donating 13,000 reusable masks to First Nations in Manitoba and Ontario in partnership with Save the Children’s National Reconciliation Program.

“Our profitable growth in the quarter continues to highlight the desirability of our brand, loyal customer base, and strong fundamentals,” said Meghan Roach, President and Chief Executive Officer, Roots. “We saw a significant year-over-year improvement in sales in Ontario, our largest market, once

stores reopened, more than offsetting the increase in temporary store closures in the province during the quarter.”

“We are continuing to run the business in the manner needed to successfully adapt to the changing business environment created by COVID-19, including current industry-wide supply chain disruptions,” Ms. Roach continued. “Our focus remains on maximizing the success of the business over the long term. With the high-quality, comfort, and versatility of our products, we are well-positioned to capitalize on the ongoing casualization of the North American wardrobe.”

### **Summary of Fiscal 2021 Second Quarter Results**

#### *Sales*

Total Q2 2021 sales were \$38.9 million, up 1.8% from total sales of \$38.2 million in Q2 2020. DTC sales (corporate retail store and eCommerce sales) increased 6.6% to \$30.4 million from \$28.5 million in Q2 2020, reflecting healthy growth in overall store sales, which the Company achieved despite being closed for longer in Ontario, the Company’s largest market. While the increase in store activity resulted in moderated demand online year-over-year, eCommerce sales continued to demonstrate significant growth over pre-pandemic levels.

Roots Q2 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 \$8.5 million, down 12.4% from \$9.7 million in Q2 2020. The year-over-year decline primarily reflects an unfavourable foreign exchange impact on wholesale sales to the Company’s operating partner in Taiwan, as well as a shift in the timing of Taiwan wholesale orders into Q1 2021.

#### *Gross Profit*

Q2 2021 total gross profit was \$22.6 million, an 8.2% increase from \$20.9 million in Q2 2020, as a result of the year-over-year improvement in sales. Q2 2021 gross margin was 58.1%, up from 54.7% in Q2 2020. The year-over-year increase, in part, reflects the continued benefit of the Company’s promotional discipline in its DTC business, which likely places some downward pressure on sales in the short term. However, the Company believes reduced promotional activity is beneficial to the brand and profitability of the business over the long term. The year-over-year improvement in gross margin is also reflective of a modification of financial terms of the agreement with the Company’s operating partner in Taiwan that resulted in higher margin wholesale sales.

#### *Selling, General and Administrative Expenses (“SG&A”)*

Q2 2021 SG&A was \$21.8 million, up from \$21.4 million in Q2 2020. In the quarter, Roots recorded higher costs related to investments in talent and marketing, which were effectively offset by rent savings. For Q2 2021, the Company recognized lower government subsidies, recording \$3.6 million in government rent and wage subsidies in Q2 2021, down from \$4.4 million in Q2 2020 (of the total \$4.3 million and \$6.2 million recognized in Q2 2021 and Q2 2020, respectively).

#### *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 \$2.9 million for Q2 2021, up from \$1.1 million in Q2 2020.

Q2 2021 net loss was (\$1.2) million, or (\$0.03) per share, an improvement from a net loss of (\$1.8) million, or (\$0.04) per share, in Q2 2020. Adjusted Net Loss (which excludes the impact of IFRS 16 and

includes rent expense) for Q2 2021 was (\$0.4) million, or (\$0.01) per share, an improvement from an Adjusted Net Loss of (\$1.9) million, or (\$0.04) per share, in Q2 2020.

### **COVID-19 Business Update**

In response to COVID-19 and resulting government-mandated lockdowns, Roots entered Q2 2021 having temporarily closed 68 corporate retail stores and five pop-ups locations. As of quarter-end, the Company had reopened all but one store.

As a result of ongoing global challenges related to COVID-19, the fashion retail industry is currently facing industry-wide supply chain disruptions. To best mitigate the impact on its business, such as extended lead times and product shortages, Roots is managing its inventory and promotions, leveraging its pack-and-hold inventory, and using air freight for key seasonal programs.

### **Conference Call and Webcast Information**

Roots will hold a conference call to discuss the Company's fiscal 2021 second quarter results on September 10, 2021, at 8:00 a.m. ET. All interested parties can join the call by dialing 416-764-8659 or 1-888-664-6392 and using conference ID: 54910265. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until September 17, 2021, at midnight, and can be accessed by dialing 416-764-8677 or 1-888-390-0541 and entering replay passcode: 910265 #.

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 July 31, 2021, on the Company's investor website at <https://investors.roots.com> and SEDAR at [www.SEDAR.com](http://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 Canada, two in the United States, and ship to more than 60 countries worldwide via [roots.com](http://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 the first quarter of fiscal 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](http://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 is 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)

	July 31, 2021	January 30, 2021
<b>Assets</b>		
Current assets:		
Cash	\$ 8,382	\$ 9,166
Accounts receivable	10,135	7,165
Inventories	47,500	42,401
Prepaid expenses	3,661	3,137
Total current assets	69,678	61,869
Non-current assets:		
Loan receivable	608	608
Lease receivable	1,018	1,187
Fixed assets	45,208	47,981
Right-of-use assets	73,407	79,995
Intangible assets	189,630	190,777
Goodwill	7,906	7,906
Total non-current assets	317,777	328,454
<b>Total assets</b>	<b>\$ 387,455</b>	<b>\$ 390,323</b>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,950	\$ 25,850
Deferred revenue	5,231	5,759
Income taxes payable	1,932	5,955
Current portion of lease liabilities	22,596	22,197
Current portion of long-term debt	4,984	4,984
Derivative obligations	155	418
Total current liabilities	59,848	65,163
Non-current liabilities:		
Deferred tax liabilities	16,772	15,891
Long-term portion of lease liabilities	71,654	78,989
Long-term debt	80,534	66,100
Total non-current liabilities	168,960	160,980
<b>Total liabilities</b>	<b>228,808</b>	<b>226,143</b>
Shareholders' equity:		
Share capital	197,571	197,333
Contributed surplus	3,827	3,682
Accumulated other comprehensive income (loss)	(114)	(227)
Retained earnings (deficit)	(42,637)	(36,608)
Total shareholders' equity	158,647	164,180
<b>Total liabilities and shareholders' equity</b>	<b>\$ 387,455</b>	<b>\$ 390,323</b>

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 and 26 week periods ended July 31, 2021 and August 1, 2020

	July 31, 2021 (13 weeks)	August 1, 2020 (13 weeks)	July 31, 2021 (26 weeks)	August 1, 2020 (26 weeks)
Sales	\$ 38,904	\$ 38,214	\$ 76,249	\$ 68,163
Cost of goods sold	16,294	17,324	32,165	30,840
Gross profit	22,610	20,890	44,084	37,323
Selling, general and administrative expenses	21,847	21,385	47,726	49,191
Gain from deconsolidation of RTS USA Corp.	—	—	—	4,774
Income (loss) before interest expense and income taxes recovery	763	(495)	(3,642)	(7,094)
Interest expense	2,259	2,790	4,537	6,537
Loss before income taxes	(1,496)	(3,285)	(8,179)	(13,631)
Income taxes recovery	(320)	(1,465)	(2,065)	(4,026)
<b>Net loss</b>	<b>\$ (1,176)</b>	<b>\$ (1,820)</b>	<b>\$ (6,114)</b>	<b>\$ (9,605)</b>
Basic loss per share	\$ (0.03)	\$ (0.04)	\$ (0.14)	\$ (0.23)
Diluted loss per share	\$ (0.03)	\$ (0.04)	\$ (0.14)	\$ (0.23)

# ROOTS CORPORATION

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

For the 13 and 26 week periods ended July 31, 2021 and August 1, 2020

	July 31, 2021 (13 weeks)	August 1, 2020 (13 weeks)	July 31, 2021 (26 weeks)	August 1, 2020 (26 weeks)
Net loss	\$ (1,176)	\$ (1,820)	\$ (6,114)	\$ (9,605)
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	398	(2,181)	(412)	1,234
Cost of hedging excluded from cash flow hedges	(9)	7	(5)	(29)
Tax impact of cash flow hedges	(103)	580	110	(321)
Total other comprehensive income (loss)	286	(1,594)	(307)	884
<b>Total comprehensive loss</b>	<b>\$ (890)</b>	<b>\$ (3,414)</b>	<b>\$ (6,421)</b>	<b>\$ (8,721)</b>

# ROOTS CORPORATION

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

For the 26 week periods ended July 31, 2021 and August 1, 2020

	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
<u>July 31, 2021 (26 weeks)</u>					
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	—	—	(6,114)	—	(6,114)
Net loss from change in fair value of cash flow hedges, net of income taxes	—	—	—	(307)	(307)
Transfer of realized gain on cash flow hedges to inventories, net of income taxes	—	—	—	420	420
Share-based compensation	—	368	—	—	368
Issuance of Shares	238	(223)	—	—	15
<u>Balance, July 31, 2021</u>	<u>\$ 197,571</u>	<u>\$ 3,827</u>	<u>\$ (42,637)</u>	<u>\$ (114)</u>	<u>\$ 158,647</u>

	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
<u>August 1, 2020 (26 weeks)</u>					
Balance, February 1, 2020	\$ 196,903	\$ 3,407	\$ (49,688)	\$ (116)	\$ 150,506
Net loss	—	—	(9,605)	—	(9,605)
Net gain from change in fair value of cash flow hedges, net of income taxes	—	—	—	884	884
Transfer of realized loss on cash flow hedges to inventories, net of income tax recovery	—	—	—	(554)	(554)
Share-based compensation	—	331	—	—	331
Issuance of Shares	430	(430)	—	—	—
<u>Balance, August 1, 2020</u>	<u>\$ 197,333</u>	<u>\$ 3,308</u>	<u>\$ (59,293)</u>	<u>\$ 214</u>	<u>\$ 141,562</u>

# ROOTS CORPORATION

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

For the 26 week periods ended July 31, 2021 and August 1, 2020

	July 31, 2021 (26 weeks)	August 1, 2020 (26 weeks)
<b>Cash generated from (used in):</b>		
Operating activities:		
Net loss	\$ (6,114)	\$ (9,605)
Items not involving cash:		
Depreciation and amortization	15,157	16,758
Share-based compensation expense	368	331
Gain from deconsolidation of RTS USA Corp.	–	(4,774)
Unrealized gain on de-designated forward contracts	–	(25)
Gain on lease modification	(303)	(145)
Interest expense	4,537	6,537
Income taxes recovery	(2,065)	(4,026)
Rent concessions	(1,350)	(712)
Settlement of de-designated forward contracts	(109)	–
Interest paid	(1,417)	(2,446)
Payment of interest on lease liabilities	(2,794)	(3,743)
Taxes refunded (paid)	(1,148)	3,731
Change in non-cash operating working capital:		
Accounts receivable	(2,970)	(3,250)
Inventories	(5,099)	(20,699)
Prepaid expenses	(524)	3,265
Accounts payable and accrued liabilities	(900)	23,836
Deferred revenue	(528)	(630)
	<u>(5,259)</u>	<u>4,403</u>
Financing activities:		
Issuance of long-term debt	17,500	22,000
Long-term debt financing costs	(901)	(148)
Repayment of long-term debt	(2,492)	(2,492)
Payment of principal on lease liabilities, net of tenant allowance	(7,723)	(6,738)
Proceeds from issuance of Shares	15	–
	<u>6,399</u>	<u>12,622</u>
Investing activities:		
Additions to fixed assets	(1,924)	(2,289)
Deconsolidation of RTS USA Corp.	–	(541)
	<u>(1,924)</u>	<u>(2,830)</u>
Increase (decrease) in cash	(784)	14,195
Cash and bank indebtedness, beginning of period	9,166	(6,277)
<b>Cash and bank indebtedness, end of period</b>	<b>\$ 8,382</b>	<b>\$ 7,918</b>

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