



ROOTS REPORTS STRONG SALES AND FURTHER MARGIN IMPROVEMENT IN SECOND QUARTER

- Sales increased 22.9% year-over-year to \$47.8 million
- Gross margin improved 120 basis points (“bps”) to 59.3%
- Net loss was (\$3.2) million compared to (\$1.2) million in Q2 2021
- Adjusted EBITDA¹ was (\$0.6) million compared to \$2.9 million in Q2 2021
- Excluding pandemic-related government subsidies and rent abatements, net loss was reduced by \$2.5 million and Adjusted EBITDA improved \$2.7 million compared to Q2 2021
- Net debt decreased \$26.9 million year-over-year to \$50.2 million; leverage ratio was 1.1x

TORONTO, September 13, 2022 – [Roots](#) (“Roots,” “Roots Canada” or the “Company”) (TSX: ROOT), a premium outdoor-lifestyle brand, today announced financial results for its second quarter ended July 30, 2022. 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” below.

“Roots generated strong revenue growth in the second quarter, driven mainly by higher in-store traffic, which speaks to the strength of our brand and the loyalty of our customer base. Our consumers continue to embrace our differentiated and high-quality product offering. Within the quarter, we took proactive steps to mitigate the impact of industry-wide supply chain challenges providing us with a healthy inventory position for the second half of the year,” said Meghan Roach, President and Chief Executive Officer of Roots.

“As we look ahead to the remainder of the year, we are in a solid financial position and have a well-balanced product offering largely comprised of timeless items with minimal fashion risk. With the launch of our new organic Cooper collection, we remain on track to achieve our objective of having most of our apparel made with sustainable materials by the end of the year. As Roots approaches its 50th anniversary, the Company is well positioned to execute on its omni-channel growth plan and strategy based on optimizing our product portfolio and elevating our brand image to drive overall demand,” added Ms. Roach.

| SELECT FINANCIAL INFORMATION (in '000s of CAD\$, except per share amounts) | Second quarter ended | | | Year-to-date | | |
|---|----------------------|---------------|----------|----------------|---------------|----------|
| | July 30, 2022 | July 31, 2021 | Change | July 30, 2022 | July 31, 2021 | Change |
| Total sales | 47,801 | 38,904 | 22.9% | 90,873 | 76,249 | 19.2% |
| Direct-to-Consumer (“DTC”) sales | 38,462 | 30,380 | 26.6% | 75,839 | 61,798 | 22.7% |
| Partners & Other (“P&O”) sales | 9,339 | 8,524 | 9.6% | 15,034 | 14,451 | 4.0% |
| Gross profit | 28,346 | 22,610 | 25.4% | 54,564 | 44,084 | 23.8% |
| Gross margin | 59.3% | 58.1% | +120 bps | 60.0% | 57.8% | +220 bps |
| Selling, General and Administrative (“SG&A”) expenses | 30,625 | 21,847 | 40.2% | 61,931 | 47,726 | 29.8% |
| Subsidies and abatements² | 271 | 6,468 | (95.8%) | 405 | 9,499 | (95.7%) |
| Net loss | (3,235) | (1,176) | - | (8,496) | (6,114) | - |
| Net loss per share | (0.08) | (0.03) | - | (0.20) | (0.14) | - |
| Adjusted EBITDA¹ | (629) | 2,897 | - | (3,833) | 360 | - |

¹ Adjusted EBITDA is a non-IFRS Measure. See “Non-IFRS Measures and Industry Metrics” below.

² Subsidies and abatements are reported as a reduction to the related expense, either as a decrease to Cost of Goods sold or to SG&A expenses.

“We are pleased with our store traffic improvement and the level of full-price sell through that continues to drive profitability. As a result, Adjusted EBITDA excluding government subsidies and occupancy-related cost abatements increased by \$2.7 million and \$4.9 million, respectively, in the second quarter and first half of 2022 when compared to a year ago. Entering the revenue-intensive back half of the year, we believe our inventory position appropriately reflects the balance between addressing supply-chain volatility and resilient market demand from our loyal customer base,” said Mona Kennedy, Chief Financial Officer of Roots.

SECOND QUARTER OVERVIEW

Total sales increased 22.9% to \$47.8 million in Q2 2022 from \$38.9 million in Q2 2021. DTC sales (corporate retail store and eCommerce sales) were \$38.5 million, up 26.6% year-over-year. This increase was mainly driven by growth in store sales, reflecting a positive traffic recovery from the absence of COVID-19 related closures and restrictions in Q2 2022 as compared to Q2 2021. Last year, corporate stores were closed for 34% of the quarter, while also operating under certain capacity limitations when open, whereas stores were fully open in Q2 2022 without any restrictions.

P&O sales (wholesale Roots branded products, royalties on partner retail sales, licensing to select manufacturing partners and the sale of certain custom products) rose to \$9.3 million in Q2 2022, compared to \$8.5 million in the same period of 2021. The increase was due to higher sales from the Company’s business in Taiwan, increased royalties on licensed products, sales through Tmall.com in China, and a favourable foreign exchange impact.

Gross profit grew 25.4% to \$28.3 million in Q2 2022, compared to \$22.6 million in Q2 2021. Gross margin improved to 59.3% in Q2 2022, from 58.1% in Q2 2021. This increase reflects higher merchandise margins resulting from lower markdowns and less promotional activity, as well as a favourable year-over-year impact from foreign exchange. These factors were partially offset by a 250 bps decrease from the reduction in government subsidies recognized in gross profit, and a 40 bps decrease from higher transportation costs for the air freight of certain products.

SG&A expenses were \$30.6 million in Q2 2022, up from \$21.8 million in Q2 2021. The 40.2% increase was primarily driven by a \$5.3 million reduction in pandemic-related government subsidies and occupancy-related cost abatements from landlords in 2022 compared to 2021. Excluding these one-time impacts, SG&A rose 12.9% due to higher store payroll costs related to stores being fully open during Q2 2022 and investments in talent and marketing.

Net loss totaled (\$3.2) million, or (\$0.08) per share, in Q2 2022, versus a net loss of (\$1.2) million, or (\$0.03) per share, in Q2 2021. Excluding the impact of government subsidies and occupancy-related cost abatements that positively affected last year’s results, net loss improved by \$2.5 million year-over-year.

Adjusted EBITDA amounted to (\$0.6) million in Q2 2022 compared to \$2.9 million in Q2 2021. Excluding the impact of government subsidies and occupancy-related cost abatements, Adjusted EBITDA increased by \$2.7 million year-over-year.

YEAR-TO-DATE RESULTS

For the first six months of fiscal 2022, total sales amounted to \$90.9 million, representing an increase of 19.2% over sales of \$76.2 million in the first six months of fiscal 2021. DTC sales rose 22.7% to \$75.8 million, while P&O sales increased by 4.0% to \$15.0 million. Gross profit stood at \$54.6 million, or 60.0% of sales, up from \$44.1 million, or 57.8% of sales, last year.

Net loss was (\$8.5) million, or (\$0.20) per share, compared to (\$6.1) million, or (\$0.14) per share, last year. Excluding the impact of government subsidies and occupancy-related cost abatements that positively affected last year’s results, net loss improved by \$4.3 million year-over-year.

Adjusted EBITDA totaled (\$3.8) million in the first half of 2022 compared to \$0.4 million in the corresponding period in 2021. Excluding government subsidies and occupancy-related cost abatements, Adjusted EBITDA improved by \$4.9 million year-over-year.

FINANCIAL POSITION

At the end of Q2 2022, Roots had a solid financial position, with net debt of \$50.2 million, down significantly from \$77.1 million at the end of Q2 2021. As at July 30, 2022, the Company also had unused borrowing capacity of \$59.6 million available under its revolving credit facility. The Company's leverage ratio, defined as total net debt to trailing 12-months Adjusted EBITDA, was 1.1 times at quarter-end.

ROOTS CARES

For nearly 50 years, Roots has been committed to giving back to and partnering with communities in need. With the Company's values of community, integrity, freedom, and being genuine in mind, Roots is committed to embracing individuality through respect, acceptance, representation, and empowerment. The Company's philanthropic endeavours, now branded as "Roots Cares", are focused on amplifying the values shared with customers. Since February 2020, Roots has donated approximately \$3.1 million of cash and in-kind donations to various organizations within the communities in which Roots operates.

CONFERENCE CALL AND WEBCAST INFORMATION

Roots will hold a conference call to review its second quarter 2022 results on September 13, 2022, 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: 99617615. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until September 20, 2022, at midnight, and can be accessed by dialing 416-764-8677 or 1-888-390-0541 and entering the replay passcode: 317615#.

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 second quarter ended July 30, 2022, on the Company's investor website at <https://investors.roots.com> and on SEDAR at www.SEDAR.com.

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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("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 (loss) 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 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. For further information regarding these non-IFRS measures, please refer to "Cautionary Note-Regarding Non-IFRS Measures and Industry Metrics" in our management's discussion and analysis for Q2 2022, which is incorporated by reference herein and is available on SEDAR at www.SEDAR.com or the Company's Investor Relations website at <https://investors.roots.com>.

The table below provides a reconciliation of net loss to EBITDA and Adjusted EBITDA for the periods presented:

| CAD \$000s | Q2 2022 | Q2 2021 | YTD 2022 | YTD 2021 |
|--|----------------|----------------|----------------|----------------|
| Net loss | (3,235) | (1,176) | (8,496) | (6,114) |
| <i>Add the impact of:</i> | | | | |
| Interest expense (a) | 2,076 | 2,259 | 4,061 | 4,537 |
| Income taxes recovery (a) | (1,120) | (320) | (2,932) | (2,065) |
| Depreciation and amortization (a) | 7,193 | 7,639 | 14,378 | 15,157 |
| EBITDA | 4,914 | 8,402 | 7,011 | 11,515 |
| <i>Adjust for the impact of:</i> | | | | |
| SG&A: Rent expense excluded from net loss as a result of IFRS 16 (a) | (6,161) | (6,066) | (11,676) | (11,956) |
| SG&A: Purchase accounting adjustments (b) | (12) | 13 | 7 | 40 |
| SG&A: Stock option expense (c) | 112 | 295 | 312 | 368 |
| SG&A: Changes in key personnel (d) | – | 41 | (5) | 181 |
| SG&A: One-time legal fees (e) | 518 | – | 518 | – |
| SG&A: Other non-recurring items (f) | – | 212 | – | 212 |
| Adjusted EBITDA^(h) | (629) | 2,897 | (3,833) | 360 |

Notes:

- (a) The impact of IFRS 16 – Leases accounting standard (“IFRS 16”) in Q2 2022 and Q2 2021 was: (i) a decrease to SG&A expenses of \$1,785 and \$1,492, respectively, which comprised the impact of depreciation on the right-of-use (“ROU”) assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$1,167 and \$1,364, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of \$163 and \$33, respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded. The impact of IFRS 16 in YTD 2022 and YTD 2021 was: (i) a decrease to SG&A expenses of \$2,953 and \$2,705, respectively, which comprised the impact of depreciation on the ROU assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$2,396 and \$2,794, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of \$147 and \$(24), respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded.
- (b) As a result of Searchlight Capital Partners assuming control of Roots in 2015 (the “Acquisition”), we recognized an intangible asset for lease arrangements in the amount of \$6,310, which when excluding the impacts of IFRS 16, is amortized, as a non-cash expense, over the life of the leases and included in SG&A expenses.
- (c) Represents non-cash share-based compensation expense in respect of our Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Incentive Plan.
- (d) Represents infrequent expenses incurred in respect of the Company’s efforts to recruit for vacancies in key management positions and severance costs associated with such employee separations. In YTD 2022, expense recovery is from a reduced recruiting charge in comparison to what had been previously accrued during the fourth quarter of F2021.
- (e) In Q2 2022 and YTD 2022, this represents non-recurring legal costs incurred that are outside the scope of normal operations.
- (f) In Q2 2021 and YTD 2021, this represents one-time closure costs incurred while optimizing the footprint of one of our corporate retail stores as well as start-up costs associated with the relaunch of the Roots eCommerce website in China in Q2 2021.

ABOUT ROOTS

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand with over 100 corporate retail stores in Canada, two stores in the United States, and an eCommerce platform, www.roots.com, that serves over 55 international markets. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women’s men’s, children’s, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel at home with nature. We offer products designed to meet life’s everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers. Roots Corporation is a Canadian corporation doing business as “Roots” and “Roots Canada”.

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.

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