ROOTS REPORTS SECOND QUARTER 2023 RESULTS

- **Sales reached $49.4 million, up 3.4% from $47.8 million in Q2 2022**
- **Gross margin attained 55.5% compared to 59.3% in Q2 2022**
  - **DTC gross margin of 62.7%, compared to 64.0% in Q2 2022**
- **Net loss totaled ($5.3) million compared to ($3.2) million in Q2 2022**
- **Adjusted EBITDA amounted to ($3.0) million compared to ($0.6) million in Q2 2022**
- **Inventory balance stabilized at $55.9 million, up only 2.0% year-over-year**
- **Repurchased 873,806 shares for $2.7 million under normal course issuer bid**

TORONTO, September 12, 2023 – Roots ("Roots," "Roots Canada" or the "Company") (TSX: ROOT), a premium outdoor-lifestyle brand, announced today financial results for its second quarter ended July 29, 2023 ("Q2 2023"). 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.

"We are pleased with how our teams have performed and happy with the performance of our major new product launches despite the tough economic conditions. Our Beaver Canoe, Active, and One collections showed strong growth within the quarter," commented Meghan Roach, President and CEO of Roots Corporation.

"Our 50th-anniversary celebrations launched mid-August, and we will continue the excitement throughout the next twelve months. Our customers will see a curated assortment of limited-edition products alongside capsule collections, collaborations, and the relaunch of our renowned negative heel shoe. Our website's new editorial page showcases an engaging collection of customer stories of their experiences with Roots through the decades and, in September, we will launch a 50th-anniversary commemorative print magazine. The initial reception of our anniversary launch has been positive," Ms. Roach added.

SELECT FINANCIAL INFORMATION (in '000s of CAD$, except where noted)	**Second quarter ended**			**Year-to-date**		
	July 29, 2023	July 30, 2022	**Change**	**July 29, 2023**	July 30, 2022	**Change**
Total sales	**49,404**	47,801	3.4%	**90,900**	90,873	0.0%
Direct-to-Consumer ("DTC") sales	**37,103**	38,462	(3.5%)	**72,509**	75,839	(4.4%)
Partners & Other ("P&O") sales	**12,301**	9,339	31.7%	**18,391**	15,034	22.3%
Gross profit	**27,441**	28,346	(3.2%)	**51,922**	54,564	(4.8%)
Gross margin[1]	**55.5%**	59.3%	-380 bps[4]	**57.1%**	60.0%	-290 bps[4]
Selling, General and Administrative ("SG&A") expenses	**32,338**	30,625	5.6%	**65,344**	61,931	5.5%
Subsidies and abatements[2]	-	271	(100.0%)	-	405	(100.0%)
Net income (loss)	**(5,334)**	(3,235)	(64.9%)	**(13,300)**	(8,496)	(56.5%)
Net income (loss) per share	**$(0.13)**	$(0.08)	(62.5%)	**$(0.32)**	$(0.20)	(60.0%)
Adjusted EBITDA[3]	**(2,983)**	(629)	(374.2%)	**(8,831)**	(3,833)	(130.4%)

[1] Gross margin is a supplementary financial measure that measures our gross profit as a percentage of sales.
[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.
[3] Adjusted EBITDA is a non-IFRS Measure. See "Non-IFRS Measures and Industry Metrics" below.
[4] Basis points ("bps").

"We have made substantial progress towards improving our inventory position, which increased 2.0% year-over-year compared to 29% at the end of Q1 2023," said Leon Wu, Chief Financial Officer of Roots. "Despite the competitive promotional environment, we have remained disciplined on our discounting while executing our inventory management strategies to minimize the impact on gross margin. By leveraging our pack-and-hold collections and tightening orders, we remain on-track to right-size inventory by the end of the year."

"Our robust balance sheet and ample liquidity also provides us with the financial resources to support our ongoing operations, future growth initiatives, and capital management strategies. We continue to believe in the long-term fundamentals of the business and the value of our brand's distinctive positioning within the marketplace. Accordingly, we completed our largest share repurchases since implementing our NCIB program nearly two years ago, buying back more than 873-thousand shares in Q2 2023," Mr. Wu added.

SECOND QUARTER OVERVIEW

Total sales increased 3.4% to $49.4 million in Q2 2023 from $47.8 million in the second quarter of fiscal 2022 ("Q2 2022"). DTC sales (corporate retail store and eCommerce sales) reached $37.1 million, down 3.5% year-over-year. The year-over-year decrease in DTC sales was primarily driven by continued challenging economic conditions and the competitive promotional environment. Sales in our emerging apparel collections delivered strong year-over-year growth, including a 50% increase in sales of our Active collection. However, these increases were not sufficient to offset the ongoing softness in demand for fleece bottoms, which represents a larger portion of DTC sales.

P&O sales (wholesale Roots branded products, licensing to select manufacturing partners and the sale of certain custom products) amounted to $12.3 million in Q2 2023 compared to $9.3 million in Q2 2022. The 31.7% increase in sales was driven by higher sales to the Company's international operating partner in Taiwan, including earlier delivery of $2.6 million of orders, in addition to volume increases. The sales increase was partially offset by lower royalties for the licensing of the Roots brand to select manufacturing partners.

Gross profit reached $27.4 million in Q2 2023 compared to $28.3 million in Q2 2022, representing a year-over-year decline of 3.2%. Gross margin was 55.5% in Q2 2023 compared to 59.3% in Q2 2022. The overall reduction in gross margin of 380 bps is primarily due to a higher mix of lower margin P&O sales in the quarter. DTC gross margin was 62.7% in Q2 2023, down 130 bps from 64.0% in Q2 2022 due to higher product costs from the transition to sustainable materials and increased sales mix of discounted products, partially offset by lower freight costs, including 40bps from reduced use of air freight. DTC gross margin was also affected by unfavourable foreign exchange impact on U.S. dollar purchases.

SG&A expenses totaled $32.3 million in Q2 2023 compared to $30.6 million in Q2 2022. The 5.6% increase in SG&A expenses was mainly driven by higher store labour costs, contractual increases in store rent costs, and higher corporate compensation expense.

Net income (loss) totaled ($5.3) million, or ($0.13) per share, in Q2 2023, as compared to a net income (loss) of ($3.2) million, or ($0.08) per share, in Q2 2022.

Adjusted EBITDA amounted to ($3.0) million in Q2 2023 as compared to ($0.6) million in Q2 2022.

YEAR-TO-DATE RESULTS

For the first six months of fiscal 2023, total sales amounted to $90.9 million, representing flat sales compared to the first six months of fiscal 2022. DTC sales decreased 4.4% to $72.5 million, while P&O sales increased by 22.3% to $18.4 million. Gross profit stood at $51.9 million, or 57.1% of sales, down from $54.6 million, or 60.0% of sales, last year.

Net income (loss) was ($13.3) million, or ($0.32) per share, compared to ($8.5) million, or ($0.20) per share, last year.

Adjusted EBITDA totaled ($8.8) million in the first half of 2023 compared to ($3.8) million in the corresponding period in 2022.

FINANCIAL POSITION

Inventory was $55.9 million at the end of Q2 2023, as compared to $54.8 million at the end of Q2 2022, representing an increase of $1.1 million, or 2.0%. The year-over-year increase in inventory was primarily driven by $3.9 million of higher core inventory to be released for sale in the second half of 2023 under our pack-and-hold strategy, $1.2 million of higher product costs associated with our transition to sustainable materials, and an increase of $2.6 million from higher on-hand units, which was partially driven by earlier timing of inventory receipts, offset by $6.6 million of lower in-transit units as we strategically managed our inventory buys for the second half of the year.

As at July 29, 2023, Roots had a solid financial position with net debt of $50.9 million, largely flat from $50.2 million a year earlier. The Company's leverage ratio, defined as total net debt to trailing 12-months Adjusted EBITDA, was 2.3 times at the end of second quarter. Roots also had a total amount outstanding under its credit facilities of $57.8 million and had total liquidity of $61.1 million, including cash and borrowing capacity available under its revolving credit facility.

NORMAL COURSE ISSUER BID

Under its Normal Course Issuer Bid ("NCIB") program, Roots repurchased 873,806 common shares for a total consideration of $2.7 million in Q2 2023. The NCIB allows the Company to repurchase for cancellation up to 2,119,667 shares during the 12-month period ending December 15, 2023. At the end of Q2 2023, 1.6 million shares had been purchased under the current NCIB program.

CONFERENCE CALL AND WEBCAST INFORMATION

Roots will hold a conference call to review its second quarter 2023 results on September 12, 2023, 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: 39375093. Please dial in 15 minutes prior to the call to secure a line. The conference call will be archived for replay until September 19, 2023, at midnight, and can be accessed by dialing 416-764-8677 or 1-888-390-0541 and entering the replay passcode: 375093#.

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.

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, and Adjusted Net Income 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 2023, 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 2023**	**Q2 2022**	**YTD 2023**	**YTD 2022**
Net income (loss)	**(5,334)**	**(3,235)**	**(13,300)**	**(8,496)**
Add the impact of:				
Interest expense (a)	2,303	2,076	4,572	4,061
Income taxes expense (recovery) (a)	(1,866)	(1,120)	(4,694)	(2,932)
Depreciation and amortization (a)	7,351	7,193	14,888	14,378
EBITDA	**2,454**	**4,914**	**1,466**	**7,011**
Adjust for the impact of:				
SG&A: Rent expense excluded from net income (loss) as a result of IFRS 16 (a)	(5,861)	(6,161)	(11,560)	(11,676)
SG&A: Purchase accounting adjustments (b)	(13)	(12)	(21)	7
SG&A: Stock option expense (c)	133	112	233	312
SG&A: Changes in key personnel (d)	304	–	1,049	(5)
SG&A: Non-recurring legal fees (e)	–	518	2	518
Adjusted EBITDA[f]	**(2,983)**	**(629)**	**(8,831)**	**(3,833)**

Notes:

(a) The impact of IFRS 16 in Q2 2023 and Q2 2022 was: (i) a decrease to selling, general, and admin ("SG&A") expenses of $1,428 and $1,785, 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 $1,134 and $1,167, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of $77 and $163, respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded. The impact of IFRS 16 in YTD 2023 and YTD 2022 was: (i) a decrease to SG&A expenses of $2,533 and $2,953, 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 $2,294 and $2,396, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of $63 and $147, respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded.

(b) As a result of the Acquisition, the Company recognized an intangible asset for lease arrangements in the amount of $6,310, which when excluding the impacts of IFRS 16, is amortized 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 Equity Incentive Plan.

(d) Represents expenses incurred in respect of the Company's efforts to recruit for vacancies in key management positions and severance costs associated with employee separations relating to such positions.

(e) Represents non-recurring legal costs that are outside the scope of normal operations.

(f) Adjusted EBITDA excludes the impact of IFRS 16 in Q2 2023, Q2 2022, YTD 2023 and YTD 2022. If the impact of IFRS 16 was included for Q2 2023 and Q2 2022, Adjusted EBITDA would have been $2,891 and $5,544, respectively. If the impact of IFRS 16 was included for YTD 2023 and YTD 2022, Adjusted EBITDA would have been $2,750 and $7,836, respectively.

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, roots.com. 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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