



# Investor Presentation

Q4 2023

April 10, 2024

# Forward-Looking Statements

Certain information in this presentation 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 April 9, 2024. 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 Fiscal 2023 MD&A and/or Annual Information Form dated April 9, 2024, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), for a discussion of the uncertainties, risks and assumptions associated with these forward-looking 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.

All figures discussed in this presentation are stated in \$CAD millions, unless otherwise noted.

OUR MISSION

**To Inspire the World to be  
At Home with Nature**



# Our Roots

Roots was founded in 1973 by Michael Budman and Don Green, who met at summer camp in Algonquin Park, where they first fell in love with the ideals and beauty of Canada.

Starting from a little cabin, they were inspired by nature and Canada's wilderness to create Roots.

With its uncompromising comfort and exceptional quality, Roots has become one of the most well-known and iconic Canadian clothing brands with a global presence.



*RIGHT: THE ORIGINAL ROOTS 'LITTLE CABIN' ON SMOKE LAKE, ALGONQUIN PARK, ONTARIO, CANADA*

# Our History

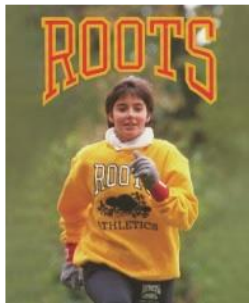
1973

Michael Budman and Don Green founded Roots, centered around the beauty found in nature and Canada's wilderness. Signature negative heel shoe becomes popular.



1980

Roots moves onto its core business – selling athletic and lifestyle apparel.



1998

Roots has created the Olympic outfits of several nations, starting in 1998 with the Canadian Winter team and following suit in 2002 by outfitting the US, UK and Barbados Olympic teams.



2015

Searchlight Capital Partners acquires 80% position in Roots, Roots founders retain 20% ownership.



2020

New executive leadership team. Focus on strengthening fundamentals of business for longer term global growth.

2023

Roots launched 50th anniversary celebrations with a curated assortment of limited-edition products, collaborations, and events to generate excitement among long-time and new customers.





1

## Iconic Canadian Brand with a Global Community

*Rich heritage of delivering high-quality, versatile and stylish products to customers that span all ages and genders*

2

## High-Quality, Versatile, Purpose-Driven Products

*Mix of iconic classics and new pieces that resonate with customers*

3

## Omni-Channel Strategy, Built for the Future

*Strong store base and e-commerce presence with omni-channel capabilities*

4

## Scalable, Best-in-Class Organization and Operations

*Well-invested infrastructure and refined operating strategies*

5

## Compelling Financial Performance

*Strong balance sheet and focus on long-term profitable growth*



# Our Values | What Guides Us



## Community

We are a place of inclusivity, diversity and open-mindedness. We support one another and the communities where we live and work.



## Authenticity

While we draw inspiration from the world around us, we never forget where we have come from – our heritage and Canadian beginnings.



## Integrity

We always strive to do what's right and to build trust and lasting relationships with our brand community.



## Freedom

We celebrate the individuality of style as a form of self-expression. We believe everyone should enjoy everyday adventures, living life on their own terms.

# Quarterly Highlights and Trends



- **Despite macroeconomic headwinds impacting the fourth quarter, improved trends were noted on several key metrics and great progress has been made on key strategic initiatives**
  - Total sales decline of 2.9% YoY, DTC sales decline of 0.8%
  - Positive traffic trends across store and our website in Q4, offset by lower conversion
  - Notable collaborations with Barbie and CLOT
- **Positive gross margin trends as a result of year-over-year improved inventory position**
- **Significantly reduced inventory position and net debt by more than 30%**

# Product & Brand Highlights



- **Our core collections continue to drive positive momentum**
  - Active collection sales increased 45% annually and grew as a percentage of total sales
  - Cooper fleece stabilized and achieved growth in the quarter
  - >90% of our products are made with sustainable materials
- **Enhanced brand presence and creative production**
  - Launched the 50<sup>th</sup> anniversary campaign which brought new customers to the brand and reminded existing customers of heritage and quality product offering
  - Improved content creation that resonates with consumers
  - New Chief Marketing Officer hired in Q4
- **Collaborations remain a strong opportunity to introduce Roots to new customers and generate brand excitement**

# Operational Highlights



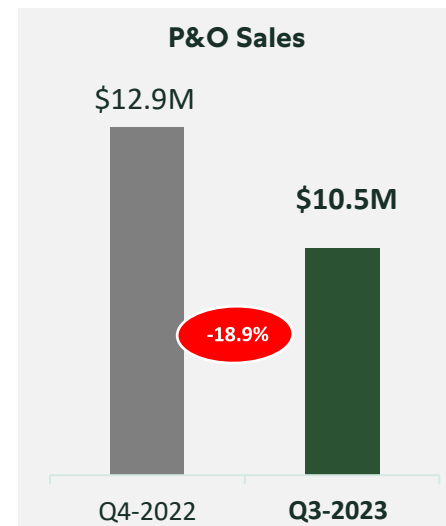
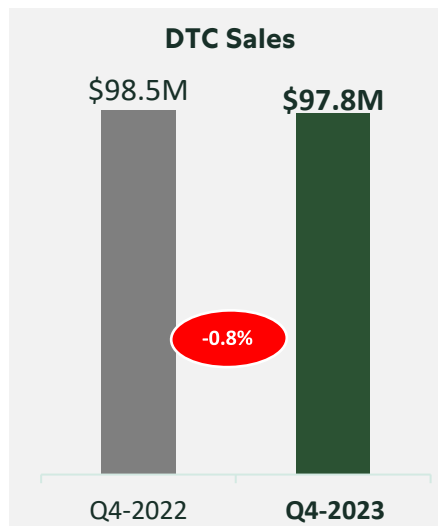
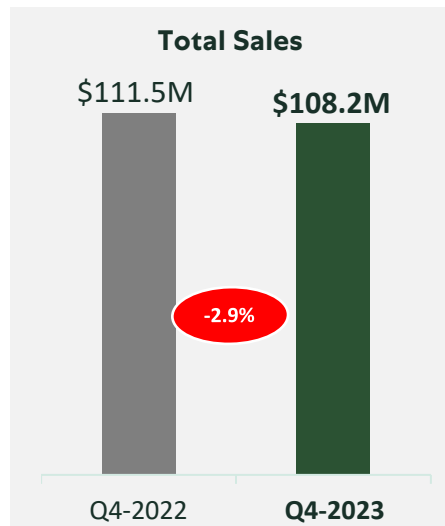
- **Drove double-digit US online sales growth**
  - Enabled fulfillment of US eCommerce orders from Canadian stores
  - Part of our ongoing focus on our omnichannel experience
- **Positive momentum in Asia**
  - China business shifted to more established partner on Tmall; supporting positive sales growth
  - Taiwan business has been enhancing its online presence and engaging with a new younger audience
- **Investing in data insights**
  - Making strategic investments in teams and infrastructure to support analytics for decision making and enhanced AI-driven operational and personalization capabilities

# Looking Ahead to 2024



- **Product margin upside anticipated in 2024 from investments made in sourcing function**
  - True product cost savings achieved through sourcing strategies that do not reduce product quality
- **Continue to make investments in data analytics to enable AI-driven personalization and omni-channel operational enhancements**
- **Amplified focus on brand awareness and consideration marketing execution under new Chief Marketing Officer leadership (e.g. brand ambassador program)**
- **Expand on year-round Activewear franchise and build-out elevated product offering (e.g. Made in Canada line)**
- **Targeted investments to continue growth in China**

# Fourth-Quarter Sales



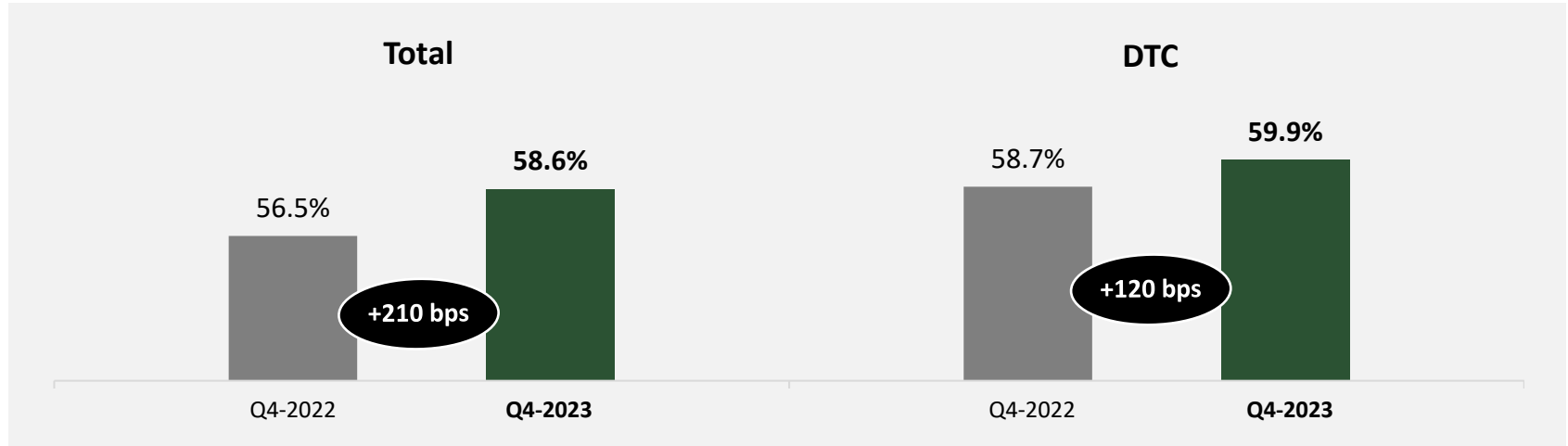
- Impact of extra fiscal week in Q4/FY2023: \$2.2M sales
- Decline is largely driven by not repeating a wholesale order from last year.

- Positive traffic improvement in DTC channel offset by larger DTC conversion declines
- Growth in core fleece and active
- Declines in certain seasonal collections, including colder weather styles

- Reduction of wholesale orders as Roots decided to not repeat a sale of Roots-branded products to select retail partners
- Growth in the Asia market on a full-year basis (intra-year variances driven by delivery timing)

(in millions of \$CAD)

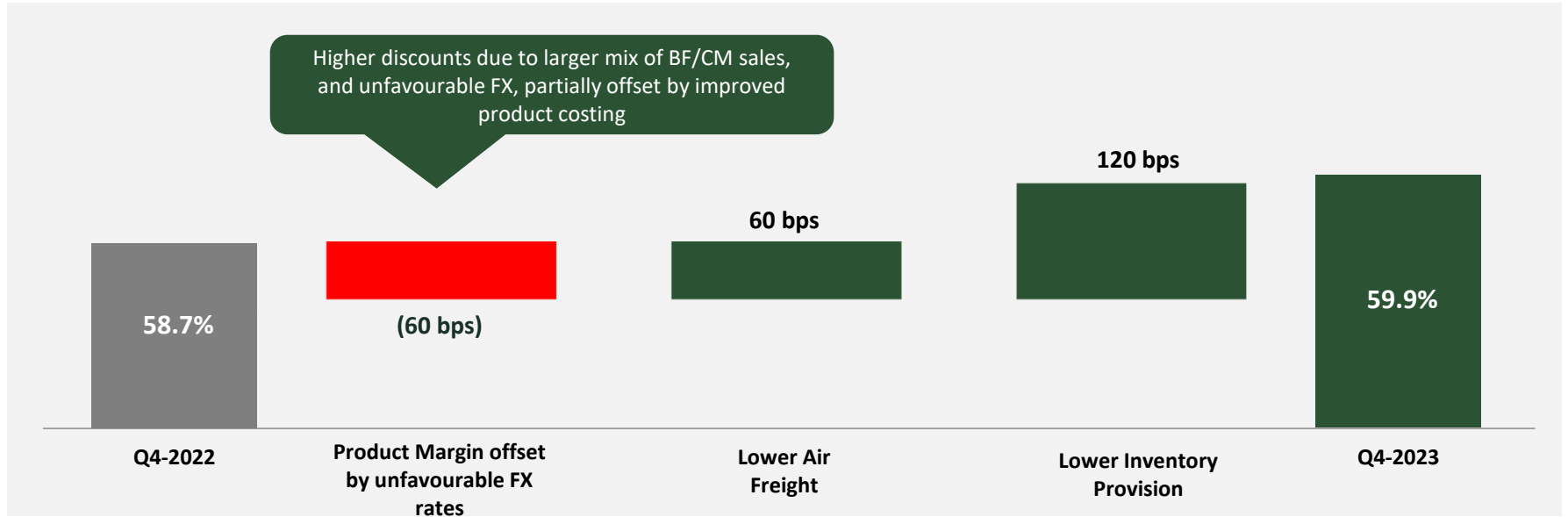
# Gross Margin



- Higher mix of higher-margin DTC sales (+)
- Lower inventory provisions due to healthier inventory (+)
- Favourable freight costs (+)

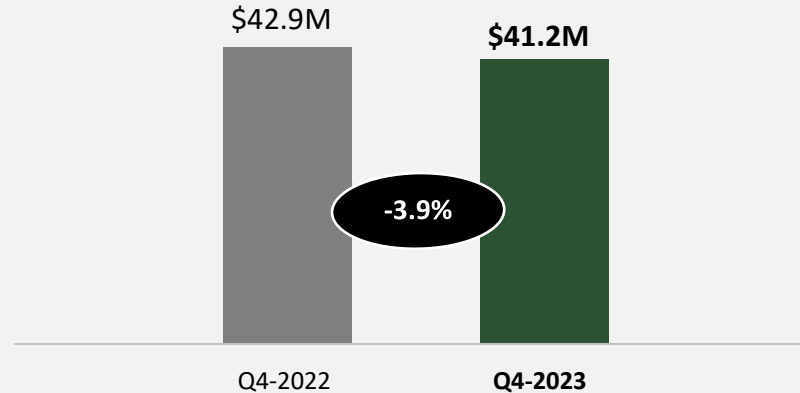
- Improved product costing (+)
- Higher mix of Black Friday/ Cyber Monday sales, driving a higher discount rate (-)
- Unfavourable FX impact (-)

# DTC Gross Margin Bridge



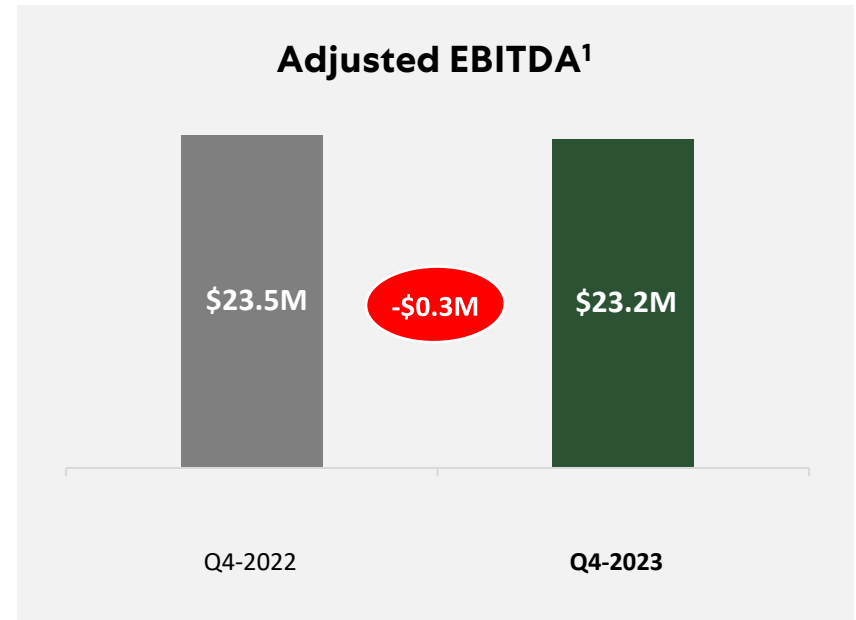
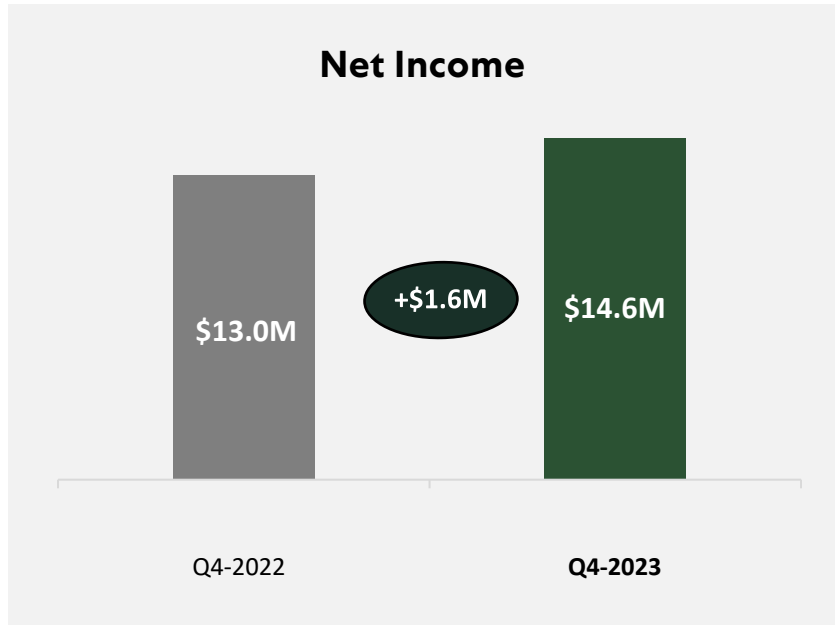
**120 basis points improvement in DTC gross margin**

# SG&A Expenses



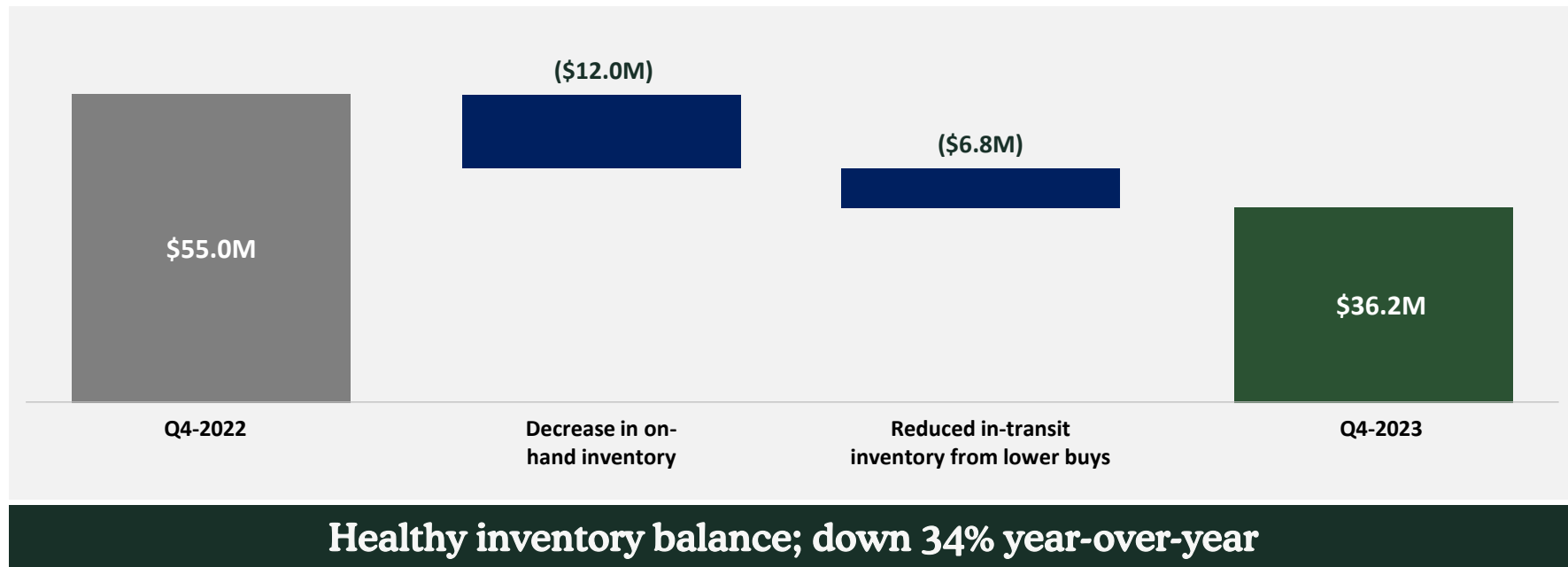
- Gains from lease modifications under *IFRS 16 Leases*
- Lower variable selling costs
- Higher corporate and store compensation costs, including impacts of Ontario minimum wage

# Profitability



<sup>1</sup> Adjusted EBITDA is a non-IFRS measure. See "Appendix" at the end of this presentation.  
(in millions of \$CAD)

# Inventory Bridge

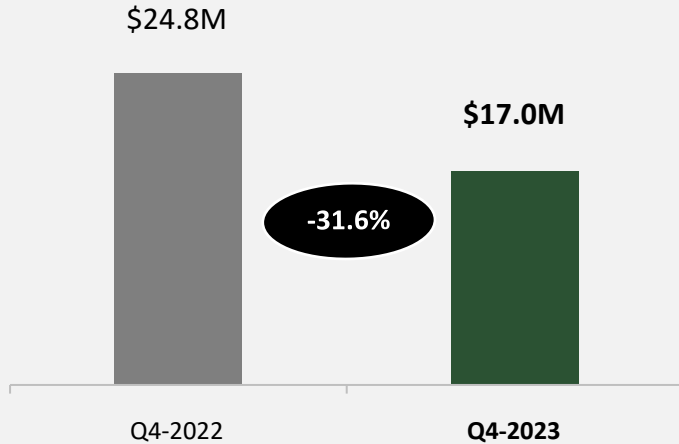


*While pleased with the inventory reduction, strong sales in certain core collections during Q4 could lead to missed sales opportunities in H1 2024.*

(in millions of \$CAD)

# Solid Financial Position

## Net Debt



**\$88.0M**

Total liquidity

**~0.9x**

Net leverage ratio<sup>(1)</sup>

**\$12.4M**

(+187% YoY)

Annual Free Cash Flow<sup>(2)</sup>

(in millions of \$CAD)

(1) Defined as total net debt over trailing 12-month Adjusted EBITDA

(2) Free cash flow is a supplementary financial measure that reflects cash flow generated from ongoing operations, calculated as our cash from operating activities less cash used in investing activities and the payment of principal on lease liabilities net of tenant allowance.

# Summary



- **Improved inventory health to end the year from strategically managing purchases and working through pack-and-hold collections**
  - Stronger fourth quarter sales in certain core collections may lead to missed sales opportunities in H1 2024
- **Short-term headwinds expected to persist in early 2024,**
- **Progress made in 2023 will set us up for long-term profitable growth and strong annual free cash flows**

# Appendix



# Non-IFRS Measures and Industry Metrics

This presentation 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 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" and "Reconciliation of Non-IFRS Measures" in our Management's Discussion and Analysis (MD&A) for Q4 2023, which is incorporated by reference herein and is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).



**Roots**