

ROOTS CORPORATION

Consolidated Financial Statements

For the 52-week period ended January 31, 2026 and
the 52-week period ended February 1, 2025
(In Canadian dollars)

Table of Contents

Table of Contents 1
Consolidated Statement of Financial Position 7
Consolidated Statement of Net Income (Loss) 8
Consolidated Statement of Comprehensive Income (Loss) 9
Consolidated Statement of Changes in Shareholders' Equity 10
Consolidated Statement of Cash Flows 11
1. Nature of operations and basis of presentation 12
2. Material accounting policies 16
3. Operating segments 25
4. Accounts receivable 26
5. Inventories 26
6. Fixed assets 27
7. Intangible assets and Goodwill 29
8. Financial instruments 31
9. Leases 33
10. Long-term debt 36
11. Share capital 38
12. Earnings (loss) per share 39
13. Share-based compensation 40
14. Financial risk management 43
15. Income taxes expense (recovery) 45
16. Interest expense 47
17. Contingencies 47
18. Personnel expenses 47
19. Related party transactions 48
20. Other assets 48

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Roots Corporation

Opinion

We have audited the consolidated financial statements of Roots Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at January 31, 2026 and February 1, 2025
- the consolidated statement of net income (loss) for the 52-week periods ended then ended
- the consolidated statement of comprehensive income (loss) for the 52-week periods then ended
- the consolidated statement of changes in shareholders' equity for the 52-week periods then ended
- the consolidated statement of cash flows for the 52-week periods then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at January 31, 2026 and February 1, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended January 31, 2026. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of impairment of indefinite life intangible assets for the Direct-to-Consumer segment

Description of the matter

We draw attention to Notes 1(f)(ii), 2(f) and 7 to the financial statements. The indefinite life trade name balance is $125,044, of which $111,040 relates to the Direct-to-Consumer CGU group.

The Entity performs an annual impairment assessment of indefinite life trade names by comparing the carrying value of each CGU group to the recoverable amount of the CGU group. The recoverable amount is based on the higher of the fair value less cost to sell ("FVLCS") and its value-in-use ("VIU"). For the purpose of impairment testing, indefinite life trade names and goodwill are allocated to the grouping of CGUs, which represent the lowest level within the Entity at which these assets are monitored for internal management purposes. Management has determined this grouping to be consistent with the two reportable operating segments: Direct-to-Consumer and Partners and Other.

The Entity's significant estimates used in determining the FVLCS include projected future sales, gross profit margin and earnings, terminal growth rate and discount rate.

Why the matter is a key audit matter

We identified the evaluation of impairment of indefinite life intangible assets for the Direct-to-Consumer segment as a key audit matter. The estimated recoverable amount of the Direct-to-Consumer segment approximated it's carrying value. This indicated a significant risk of material misstatement as minor changes to certain significant assumptions had a significant effect on the estimated recoverable amount of the CGU group. As a result, significant auditor judgement and the involvement of professionals with specialized skills and knowledge was required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We evaluated the design and tested the operating effectiveness of the control over the Entity's review of the recoverable amount of the Direct-to-Consumer segment. This control included the review of estimates used to determine the recoverable amount.

We compared the Entity's projected future sales, gross profit margin and earnings used in the prior year estimate to actual results to assess the Entity's ability to predict projected future sales, gross profit margin and earnings assumptions.

We evaluated the appropriateness of the projected future sales, gross profit margin and earnings to the actual historical sales, gross profit margin and earnings generated by the Direct-to-Consumer segment. We took into account changes in conditions and events affecting the segment to assess the adjustments or lack of adjustments made in arriving at the projected future sales, gross profit margin and earnings estimates.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the terminal growth rate by comparing it against long-term estimates of inflation
- Evaluating the appropriateness of the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Bryant William Ramdoo.

Vaughan, Canada

April 8, 2026

ROOTS CORPORATION

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)

As at January 31, 2026 and February 1, 2025

	Note	January 31, 2026	February 1, 2025
Assets			
Current assets			
Cash		$ 28,633	$ 34,021
Accounts receivable	4,14	10,066	11,843
Inventories	5	45,052	40,994
Prepaid expenses		3,072	3,367
Derivative assets	8,14	–	2,549
Total current assets		86,823	92,774
Non-current assets:			
Fixed assets	6	30,448	32,038
Right-of-use assets	9	60,786	64,425
Intangible assets	7	129,441	131,594
Goodwill	7	7,906	7,906
Other assets	20	300	300
Total non-current assets		228,881	236,263
Total assets		**$ 315,704**	**$ 329,037**
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	14	$ 29,348	$ 29,461
Deferred revenue		5,357	5,223
Income taxes payable	15	3,645	3,915
Derivative Liability	8,14	1,458	–
Current portion of lease liabilities	9,14	21,809	22,004
Current portion of long-term debt	10,14	5,338	5,937
Total current liabilities		66,955	66,540
Non-current liabilities:			
Deferred tax liabilities	15	11,284	11,028
Long-term portion of lease liabilities	9,14	51,999	56,508
Long-term debt	10,14	27,546	35,433
Total non-current liabilities		90,829	102,969
Total liabilities		157,784	169,509
Shareholders' equity:			
Share capital	11	182,093	187,934
Contributed surplus	13	5,276	4,748
Retained earnings (deficit)		(28,377)	(35,027)
Accumulated other comprehensive income	8	(1,072)	1,873
Total shareholders' equity		157,920	159,528
Total liabilities and shareholders' equity		**$ 315,704**	**$ 329,037**
Contingencies	17		

On behalf of the Board of Directors:

"Erol Uzumeri" Director

"Mary Ann Curran" Director

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

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

For the 52-week period ended January 31, 2026, and the 52-week period ended February 1, 2025

	Note	January 31, 2026	February 1, 2025
Sales		$ 277,679	$ 262,921
Cost of goods sold	5	107,464	105,792
Gross profit		170,215	157,129
Selling, general and administrative expenses	13,14	155,473	143,499
Impairment of intangible assets	7	–	50,000
Income (loss) before interest expense and income taxes expense (recovery)		14,742	(36,370)
Interest expense	16	8,001	8,840
Income (loss) before income taxes		6,741	(45,210)
Income taxes expense (recovery)	15	2,074	(11,767)
Net income (loss)		**$ 4,667**	**$ (33,443)**
Basic earnings (loss) per share	12	$ 0.12	$ (0.83)
Diluted earnings (loss) per share	12	$ 0.12	$ (0.83)

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

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

For the 52-week period ended January 31, 2026, and the 52-week period ended February 1, 2025

	Note	January 31, 2026	February 1, 2025
Net income (loss)		$ 4,667	$ (33,443)
Other comprehensive income (loss):			
Items that may be subsequently reclassified to net income (loss):			
Effective portion of changes in fair value of cash flow hedges	8,14	(3,894)	3,417
Gain of hedging excluded from cash flow hedges	8,14	645	53
Tax impact of cash flow hedges	8,14	861	(920)
Total other comprehensive income (loss)		(2,388)	2,550
Total comprehensive income (loss)		**$ 2,279**	**$ (30,893)**

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

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

For the 52-week period ended January 31, 2026, and the 52-week period ended February 1, 2025

January 31, 2026	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 1, 2025		**$ 187,934**	**$ 4,748**	**$ (35,027)**	**$ 1,873**	**$ 159,528**
Net income (loss)		–	–	4,667	–	4,667
Net loss from change in fair value of cash flow hedges, net of income taxes	8	–	–	–	(2,388)	(2,388)
Transfer of net realized gain on cash flow hedges, net of income taxes	8	–	–	–	(557)	(557)
Share-based compensation	13	–	646	–	–	646
Issuance of Shares	11,13	168	(118)	–	–	50
Purchase of Shares	11	(6,009)	–	1,983	–	(4,026)
Balance, January 31, 2026		**$ 182,093**	**$ 5,276**	**$ (28,377)**	**$ (1,072)**	**$ 157,920**

February 1, 2025	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 3, 2024		**$ 187,544**	**$ 4,708**	**$ (1,584)**	**$ 149**	**$ 190,817**
Net income (loss)		–	–	(33,443)	–	(33,443)
Net gain from change in fair value of cash flow hedges, net of income taxes	8	–	–	–	2,550	2,550
Transfer of net realized gain on cash flow hedges, net of income taxes	8	–	–	–	(826)	(826)
Share-based compensation	13	–	156	–	–	156
Issuance of Shares	11,13	390	(116)	–	–	274
Balance, February 1, 2025		**$ 187,934**	**$ 4,748**	**$ (35,027)**	**$ 1,873**	**$ 159,528**

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)

For the 52-week period ended January 31, 2026, and the 52-week period ended February 1, 2025

	Note	January 31, 2026	February 1, 2025
Cash provided by (used in):			
Operating activities:			
Net income (loss)		$ 4,667	$ (33,443)
Items not involving cash:			
Depreciation and amortization	6,7,9	27,826	29,662
Impairment of intangible assets	7	–	50,000
Reversal of impairment losses on fixed assets	6	(523)	–
Share-based compensation expense	13	646	156
Gain on lease modifications	9	(16)	(571)
Interest expense	16	8,001	8,840
Income taxes expense (recovery)	15	2,074	(11,767)
Interest paid	16	(2,759)	(3,741)
Interest received	16	252	509
Payment of interest on lease liabilities	9	(5,049)	(5,124)
Income taxes refund (paid)		(1,025)	2,105
Change in non-cash working capital:			
Accounts receivable	4	1,777	(5,769)
Inventories	5	(4,058)	(4,837)
Prepaid expenses		295	1,956
Accounts payable and accrued liabilities		(64)	4,435
Deferred revenue		134	(78)
		32,178	32,333
Financing activities			
Payment of long-term debt financing costs	10	(274)	(100)
Repayment of Term Credit Facility	10	(8,657)	(4,024)
Proceeds from issuance of Shares	11,13	50	274
Purchase of Shares	11	(4,026)	–
Payment of principal on lease liabilities, net of lease incentives received	9	(18,151)	(15,792)
		(31,058)	(19,642)
Investing activities			
Additions to right-of-use assets	9	(26)	(98)
Additions to fixed assets	6	(6,458)	(6,567)
Additions to intangible assets	7	(24)	(38)
		(6,508)	(6,703)
Cash generated (used) in the period		(5,388)	5,988
Cash, beginning of period		34,021	28,033
Cash, end of period		**$ 28,633**	**$ 34,021**

See accompanying notes to consolidated financial statements.

1. Nature of operations and basis of presentation

Nature of operations

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand, which as at January 31, 2026, operated 97 corporate retail stores and 11 temporary pop-up locations in Canada, two corporate retail 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", incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its head office and registered office is located at 1400 Castlefield Avenue, Toronto, Ontario M6B 4C4. Roots Corporation and its subsidiaries are collectively referred to in these consolidated financial statements as the "Company" or "Roots Corporation".

The Company's common shares ("Shares") are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "ROOT".

Basis of preparation

(a) Fiscal period

The fiscal year of the Company consists of a 52 or 53 week period ending the closest Saturday to January 31 of the following year. The current and comparative fiscal periods for the consolidated financial statements contain 52 weeks.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

The consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on April 8, 2026.

(c) Basis of measurement

The consolidated financial statements were prepared on a historical cost basis, except for the following items, which are measured at fair value:

- derivative financial instruments;
- other assets consisting of non-derivative equity securities; and
- cash-settled deferred share units ("DSU")

The material accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for the periods presented.

(d) Basis of consolidation

The consolidated financial statements include the accounts of Roots Corporation and its wholly-owned subsidiaries, Roots International ULC, Roots Leasing Corporation, and Roots America Corporation. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity.

Transactions and balances between the Company and its consolidated subsidiaries have been eliminated on consolidation.

(e) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars. The functional currency of Roots Corporation, Roots International ULC, and Roots Leasing Corporation is the Canadian dollar. The functional currency of Roots America Corporation is the U.S. dollar. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Inventory valuation

Merchandise inventories are valued at the lower of cost and net realizable value, which requires the Company to utilize estimates related to fluctuations in shrinkage, future retail prices, future sell-through of units, seasonality, and costs necessary to sell the inventory. The Company records a write-down to reflect management's best estimate of the net realizable value of inventory based on the above factors.

(ii) Impairment of non-financial assets

The Company is required to use judgement in determining the grouping of assets to identify their cash generating units ("CGUs") for the purpose of testing store related fixed assets, including right-of-use ("ROU") assets. Judgement is further required to determine appropriate groupings of CGUs for the level at which non-store related assets are tested for impairment, including intangible assets and goodwill. The Company has determined that each store location is a separate CGU for the purpose of fixed assets and ROU assets impairment testing. For purposes of non-store related non-financial assets, CGUs are grouped at the lowest level that these assets are monitored for internal management purposes, or at the lowest level where cash inflows are generated. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount, defined as the higher of the fair value less cost to sell ("FVLCS") and the value-in-use ("VIU") of a CGU or a group of CGUs, various estimates are used. FVLCS for fixed assets and ROU assets is determined using estimates such as market rental rates of comparable properties and discount rates. VIU for fixed assets and ROU assets is determined using estimates such as projected future sales and earnings, and a discount rate consistent with external industry information, reflecting the risk associated with the specific cash flows. The Company determines FVLCS for goodwill and intangible assets using estimates such as projected future sales, gross profit margin and earnings, a terminal growth rate, and a discount rate.

(iii) Share-based compensation

The Company measures the value of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The Company is also required to determine the most appropriate inputs to the valuation model, including estimates and assumptions with respect to expected life, risk-free interest rate, volatility, distribution yield, and forfeiture rate.

(iv) Gift card breakage

The Company recognizes revenue from unredeemed gift cards ("breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average breakage rate based on historical redemption rates since the inception of its gift card program. The resulting revenue from breakage is recognized as redemptions are actualized.

(v) Leases

The Company has applied judgement to determine the lease term for lease contracts that include renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. In determining the incremental borrowing rates, management considers the Company's creditworthiness, the security, the term, the value of the underlying leased asset, and the economic operational environment of the leased asset. The incremental borrowing rates are subject to change primarily due to macroeconomic factors.

(vi) Income taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of claimed deductions, including expectations of future operating results, the timing and reversal of temporary differences, and possible audits of income tax and other tax filings by tax authorities.

2. Material accounting policies

The accounting policies described below have been applied consistently to the periods presented in the consolidated financial statements:

(a) Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction dates. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at average exchange rates prevailing during the period. The resulting gains or losses on translation are included in the determination of net income (loss) for the period.

(b) Revenue recognition

Revenue includes sales to customers through retail stores operated by the Company and through its eCommerce channels. Sales through retail stores are recognized at the time of purchase, net of a provision for returns. eCommerce sales are recognized at the time of delivery, net of a provision for returns. The provision for returns is estimated based on the historical return rate trends for retail stores and eCommerce sales, respectively.

Revenue also includes sales to the Company's international partner and other corporate customers, which are recognized at the time of shipment or receipt, depending on the specific contractual terms with each customer. Contractually, the Company's international partner and wholesale partners are unable to return goods purchased from the Company.

Royalty revenue is included in sales and is recognized on an accrual basis in accordance with the various contractual agreements, based on the financial results as reported by the Company's international partner and other third-party licensees, and when collectability is determined to be probable.

The Company sells gift cards to customers and recognizes revenue as gift cards are redeemed. The Company also recognizes gift card breakage if the likelihood of gift card redemption by the customer is considered to be remote.

The liability associated with gift cards is recognized as a contract liability and recorded in deferred revenue on the consolidated statement of financial position.

(c) Inventories

Finished goods are comprised of merchandise inventories which are valued at the lower of cost and net realizable value. Cost is measured using weighted average cost. For inventories purchased from third party vendors, cost includes the cost of purchase, freight, import taxes and duties that are directly incurred to bring inventories to their present location and condition.

For inventories manufactured by the Company, cost includes direct labour, raw materials, manufacturing, and overhead costs. Raw materials inventories are recorded at the lower of cost and net realizable value.

Work in progress is recorded at the lower of costs incurred in the manufacturing process and net realizable value.

The Company estimates the net realizable value as the amount at which inventories are expected to be sold, taking into account fluctuations in retail prices due to seasonality, age, excess quantities, condition of the inventory, nature of the inventory, and the estimated variable costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

(d) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Depreciation is primarily recognized in selling, general and administrative expenses in the consolidated statement of net income (loss), and is calculated on a diminishing-balance or straight-line basis, over the estimated useful lives of each component of an item of fixed assets from the date that they are available for use. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

Fixed assets are depreciated over the estimated useful lives of the assets, from the date they are available for use, based on the following annual rates:

Asset	Basis	Rate
Computer hardware	Diminishing-balance	20%
Furniture and fixtures	Diminishing-balance	20%
Equipment	Diminishing-balance	10%
Computer software	Diminishing-balance	20%
Leasehold improvements	Straight-line	Term of lease to a maximum of 10 years

(e) Intangible assets

Intangible assets that have a definite useful life are measured at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with definite lives are amortized over their useful economic life on a straight-line basis from the date that they are available for use. Amortization related to licence agreements, customer relationships, and intellectual property is recognized in selling, general and administrative expenses in the consolidated statement of net income (loss). The estimated useful lives for the current period are as follows:

Licence agreements	4 – 13 years
Customer relationships	10 years
Intellectual property	5 – 10 years
Trade names	Indefinite life
Goodwill	Indefinite life

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

Intangible assets with indefinite lives, comprising of trade names, are not amortized but are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that the asset might be impaired, as detailed in the accounting policy note on impairment of non-financial assets.

(f) Impairment of non-financial assets

Assets with finite lives are tested for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life intangibles are tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired.

Events or changes in circumstances which may indicate impairment include a significant change to the Company's operations, a significant decline in performance, or a change in market conditions which adversely affect the Company.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on the greater of the CGU's FVLCS and its VIU. For purposes of measuring recoverable amounts, store assets are grouped at the lowest levels for which there are largely independent cash flows, which is referred to as a CGU, being at the individual store level for the Company.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Leased assets

The Company assesses whether a contract is, or contains, a lease at the inception of the applicable contract. The Company recognizes a ROU asset and a lease liability as the present value of future lease payments when the lessor makes the leased asset available for use by the Company.

Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, and the exercise price of a purchase option or penalties for terminating the lease, if the Company is reasonably certain to exercise those purchase or termination options. Lease liabilities are recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method.

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal options or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured when there is a change in lease term, a change in the assessment of an option to purchase the leased asset, a change in expected

residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

ROU assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the amount of the initial measurement of the related lease liability, plus any lease payments made at or before the commencement date and any initial direct costs and future restoration costs, less any lease incentives received. ROU assets are depreciated on a straight-line basis from the date that the underlying asset is available for use. Depreciation is recorded over the shorter of the lease term and the useful life of the underlying asset, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, in which case depreciation is recorded over the useful life of the underlying asset.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate continue to be recognized in selling, general and administrative expenses.

(h) Income taxes

Income taxes expense comprises current and deferred income taxes. Current income taxes and deferred income taxes are recognized in net income (loss) for the period, except for items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Share-based compensation

The grant date fair value of share-based compensation awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(j) Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of Shares outstanding during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of Shares outstanding, plus the weighted average number of Shares that would be issued on exercise of dilutive securities granted to employees, as calculated under the treasury stock method, so long as the result would not reduce the earnings per share.

(k) Financial instruments

Non-derivative financial assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, net of any impairment losses.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. The Company designates foreign currency forward contracts ("forward contracts") under a cash flow hedge for its foreign currency exposure on a portion of its U.S. dollar denominated purchases. Historically, the Company also designated interest rate swap contracts ("swap contracts") under a cash flow hedge for its interest rate exposure on a portion of its Credit Facilities (as defined in Note 10). On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. At inception and each quarter-end thereafter, the Company formally assesses the effectiveness of its cash flow hedges.

For a cash flow hedge in respect of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income. The time value component of forward contracts designated as cash flow hedges is excluded from the hedging relationship, recorded in other comprehensive income as a cost of hedging and presented separately.

The forward contracts and swap contracts used for hedging are recognized at fair value. Subsequent to initial recognition, the forward contracts and swap contracts are measured at fair value and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net income, the effective portion of change in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income, net of deferred taxes. Amounts accumulated in other comprehensive income are reclassified to net income when the hedged item is recognized in net income. Any ineffective portion of changes in the fair value of the forward contracts or swap contracts is recognized immediately in net income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net income.

The Company has classified its financial assets and financial liabilities as follows:

Classification	Measurement
Financial assets:	
Cash	Amortized cost
Accounts receivable	Amortized cost
Lease receivable	Amortized cost
Derivative assets	Fair value through OCI[(1)]
Other assets	Fair value through OCI[(1)]
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Derivative obligations	Fair value through OCI[(1)]
Long-term debt	Amortized cost
Finance lease obligation	Amortized cost

(1) Other Comprehensive Income

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

- Level 2 – inputs other than quoted market prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

- Level 3 – inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the difference between the instruments.

(l) Recently adopted accounting standards and policies:

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1, *Presentation of Financial Statements*. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Company adopted the amendments to IAS 1 effective February 4, 2024. The adoption of amendments to IAS 1 did not have a material impact on the Company's consolidated financial statements.

(m) New standards and interpretations not yet adopted

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued *IFRS 18*, which replaces IAS 1, *Presentation of Financial Statements*, to achieve comparability of the financial performance of similar entities. The standard impacts the presentation of the primary financial statements and notes, including the required classification of income and expenses into three categories: operating, investing and financing, with defined subtotals, including "operating profit". IFRS 18 will also require management-defined performance measures to be disclosed in a separate note to the

consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027.

The Company is currently assessing the impact of this new standard on the consolidated financial statements.

3. Operating segments

The Company has two reportable operating segments:

(a) The "Direct-to-Consumer" segment comprises sales through corporate retail stores and the Company's eCommerce website roots.com; and

(b) The "Partners and Other" segment consists primarily of the wholesale of Roots-branded products to our international operating partner. The Partners and Other segment also includes the Company's sales from its Roots-branded storefront on business-to-consumer marketplace website Tmall.com in China, royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients.

The Company defines an operating segment on the same basis that the Chief Operating Decision Maker (the "CODM") uses to evaluate performance internally and to allocate resources. The Company has determined that the President and Chief Executive Officer is its CODM. The accounting policies of the reportable segments are the same as those described in the Company's material accounting policies (see Note 2). The Company measures each reportable operating segment's performance based on sales and gross profit, which is the profit metric used by the CODM for assessing performance of each segment. The Company does not report total assets or total liabilities based on its operating segments.

Information for each reportable operating segment, as presented to the CODM, is included below:

	January 31, 2026			February 1, 2025		
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	$ 239,473	$ 38,206	$ 277,679	$ 223,258	$ 39,663	$ 262,921
Cost of goods sold	87,738	19,726	107,464	83,450	22,342	105,792
Gross profit	151,735	18,480	170,215	139,808	17,321	157,129
Selling, general and administrative expenses[(1)]			155,473			143,499
Impairment of intangible assets			–			50,000
Income (loss) before interest expense and income taxes expense (recovery)			14,742			(36,370)
Interest expense[(1)]			8,001			8,840
Income (loss) before income taxes expense (recovery)			$ 6,741			$ (45,210)

(1) These unallocated items represent income and expenses which management does not report when analyzing segment underlying performance.

4. Accounts receivable

	January 31, 2026				February 1, 2025			
	0-90 days	91-120 days	>120 days	**Total**	0-90 days	91-120 days	>120 days	**Total**
Accounts receivable	$9,956	$ 3	$ 107	**$10,066**	$8,308	$3,202	$ 333	**$11,843**

For the periods ended January 31, 2026 and February 1, 2025, the Company recorded $nil allowance for doubtful accounts receivable.

5. Inventories

	January 31, 2026	February 1, 2025
Raw materials	$ 6,175	$ 5,786
Work in progress	337	546
Finished goods – On hand	32,560	29,897
Finished goods – In-transit	5,980	4,765
	$ 45,052	$ 40,994

The cost of merchandise inventories recognized as an expense and included in cost of goods sold for the period ended January 31, 2026 was $100,264 (period ended February 1, 2025 – $99,273). Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centre and stores, including freight, import taxes and duties.

For the period ended January 31, 2026, the Company recorded a $453 provision for inventories with net realizable values below cost (period ended February 1, 2025 – $562).

As at January 31, 2026, the Company had inventory purchase obligations of $25,070 (February 1, 2025 - $27,354), which represents commitments for the cost, excluding duties and shipping, of outstanding inventory purchases ordered from our vendors and expected to be received within the following fiscal period. These exclude in-transit purchases that have already been recognized. Inventory purchases are part of the normal course of our business.

6. Fixed assets

	Computer hardware	Furniture and fixtures	Equipment	Computer software	Leasehold improvements	Total
Cost						
Balance, February 3, 2024	$ 2,268	$ 5,006	$ 4,245	$ 23,572	$ 39,693	$ 74,784
Additions	221	1,526	207	996	3,617	6,567
Disposals/adjustments[1]	(5)	(939)	–	–	(5,999)	(6,943)
Balance, February 1, 2025	$ 2,484	$ 5,593	$ 4,452	$ 24,568	$ 37,311	$ 74,408
Additions	298	1,809	388	884	3,079	6,458
Disposals/adjustments[1]	–	(51)	–	–	(972)	(1,023)
Balance, January 31, 2026	**$ 2,782**	**$ 7,351**	**$ 4,840**	**$ 25,452**	**$ 39,418**	**$ 79,843**
Accumulated depreciation and impairment losses						
Balance, February 3, 2024	$ 1,338	$ 2,775	$ 1,326	$ 13,600	$ 21,189	$ 40,228
Depreciation	172	634	314	1,932	6,033	9,085
Disposals/adjustments[1]	(5)	(939)	–	–	(5,999)	(6,943)
Balance, February 1, 2025	$ 1,505	$ 2,470	$ 1,640	$ 15,532	$ 21,223	$ 42,370
Depreciation	182	694	320	1,743	5,632	8,571
Disposals/adjustments[1]	–	(51)	–	–	(972)	(1,023)
Reversals of impairment losses	–	–	–	–	(523)	(523)
Balance, January 31, 2026	**$ 1,687**	**$ 3,113**	**$ 1,960**	**$ 17,275**	**$ 25,360**	**$ 49,395**
Carrying amount						
February 1, 2025	$ 979	$ 3,123	$ 2,812	$ 9,036	$ 16,088	$ 32,038
January 31, 2026	**1,095**	**4,238**	**2,880**	**8,177**	**14,058**	**30,448**

(1) Disposals/adjustments includes the write-off of fully depreciated fixed assets which has no impact to the carrying amount of fixed assets as at January 31, 2026 and February 1, 2025.

For the periods ended January 31, 2026 and February 1, 2025, the Company recorded no impairment losses on fixed assets.

For the period ended January 31, 2026, the company recorded $523 of reversals of impairment losses on fixed assets (period ended February 1, 2025 – $nil). Reversals of impairment losses for the period ended January 31, 2026 were in respect of two CGUs within the Direct-to-Consumer segment as a result of an improvement in operating results since the impairment losses were initially recognized, resulting in the recoverable amounts exceeding its carrying amounts. The recoverable amounts were determined based on the VIU of the respective CGU, and were recorded as part of selling, general, and administrative expenses.

If a CGU has triggered an impairment assessment, the recoverable amount of fixed assets is based on the VIU of the related CGU. When determining the VIU, the Company develops a discounted cash flow model for each CGU triggered. The duration of the cash flow projections for individual CGUs varies based on the remaining lease term. Sales forecasts for cash flows are based on actual operating results, operating budgets, and estimated long-term growth rates. The estimate of the VIU of the relevant CGUs was determined using a pre-tax discount rate of 13.0% at January 31, 2026 (February 1, 2025 – 13.0%).

7. Intangible assets and Goodwill

	Trade names	License arrangements	Customer relationships	Intellectual property[1]	Total intangible assets	Goodwill
Cost						
Balance, February 3, 2024	175,044	25,910	7,766	41	208,761	52,705
Additions	–	–	–	38	38	–
Balance, February 1, 2025	175,044	25,910	7,766	79	208,799	52,705
Additions	–	–	–	24	24	–
Balance, January 31, 2026	**$ 175,044**	**$ 25,910**	**$ 7,766**	**$ 103**	**$ 208,823**	**$ 52,705**
Accumulated amortization and impairment losses						
Balance, February 3, 2024	–	18,532	6,357	6	24,895	44,799
Amortization	–	1,527	774	9	2,310	–
Impairment	50,000	–	–	–	50,000	–
Balance, February 1, 2025	50,000	20,059	7,131	15	77,205	44,799
Amortization	–	1,530	635	12	2,177	–
Balance, January 31, 2026	**$ 50,000**	**$ 21,589**	**$ 7,766**	**$ 27**	**$ 79,382**	**$ 44,799**
Carrying amount						
February 1, 2025	$ 125,044	$ 5,851	$ 635	$ 64	$ 131,594	$ 7,906
January 31, 2026	**125,044**	**4,321**	–	**76**	**129,441**	**7,906**

(1) Intellectual property consists of trademark registrations.

Amortization expenses are recorded in selling, general and administrative expenses in the consolidated statement of net income (loss) in the period in which they occur. Amortization expense on definite life intangible assets of $2,177 for the period ended January 31, 2026 (period ended February 1, 2025 – $2,310) has been recognized in the consolidated statement of net income (loss). No impairment losses or reversals were recognized on definite life intangible assets for the period ended January 31, 2026 (period ended February 1, 2025 – $50,000).

The Company has determined that trade names, primarily consisting of the Roots brand, have an indefinite life based on the brand's long history and the continued investment being made to support the brand, which is the key value contributor to the ongoing success of the business. Trade names are not amortized and are instead tested for impairment annually or when such changes in events or circumstances indicate a trigger for impairment or a change in its future economic benefits that would result in assessing the appropriateness of its useful life.

The goodwill balance was recognized as a result of the Company's acquisition of assets from Roots Canada Ltd., former wholly-owned subsidiary Roots U.S.A., Inc., Roots America L.P., entities controlled by the Company's founders Michael Budman and Don Green (the "Founders"), and all of the issued and outstanding shares of Roots International ULC, completed on December 1, 2015.

The Company performs an annual impairment assessment of indefinite life trade names and goodwill by comparing the carrying amount of each CGU group to the recoverable amount of the CGU group. The recoverable amount is based on the higher of the FVLCS and VIU.

For the purpose of impairment testing, indefinite life trade names and goodwill are allocated to the grouping of CGUs, which represent the lowest level within the Company at which these assets are monitored for internal management purposes. Management has determined this grouping to be as follows:

	Indefinite life trade names			Goodwill		
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Balance, February 1, 2025	$ 111,040	$ 14,004	$ 125,044	$ –	$ 7,906	$ 7,906
Impairment	–	–	–	–	–	–
Balance, January 31, 2026	**$ 111,040**	**$ 14,004**	**$ 125,044**	**$ –**	**$ 7,906**	**$ 7,906**

As at January 31, 2026, the recoverable amount of each CGU group was based on FVLCS and was determined by discounting the future cash flows generated from the CGU group.

The Company included five years of cash flows in its discounted cash flow model and further extrapolated beyond the five-year period using an estimated terminal growth rate. The cash flow projections are based on conservative perspectives of the global economy due to current market dynamics and are prepared separately for each of the Company's CGU groups to which the individual assets are allocated. The after-tax discount rate is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an entity-specific risk premium, an after-tax cost of debt based on corporate bond yields, and the capital structure of the Company.

Key assumptions used in the annual impairment assessment as at January 31, 2026 include:

- Annual sales growth rates
- Terminal growth rate of 2.0% (February 1, 2025 – 2.0%)
- After-tax discount rate of 14.5% (February 1, 2025 – 14.5%)

As a result of the Company's annual impairment assessment, the Company determined the recoverable amount of the Direct-to-Consumer CGU exceeded its carrying amount and, therefore, no goodwill and indefinite life intangible asset impairment losses were recorded (period ended February 1, 2025 - $50,000).

A change in the assumptions used in testing the Direct-to-Consumer intangible assets as at January 31, 2026, could cause the carrying amount to exceed the estimated recoverable amount. As Direct-to-Consumer is the most sensitive to changes in assumptions, the following mutually excusive changes in the assumptions would result in the carrying amount being equal to the recoverable amount:

- Decrease in the terminal growth rate of 40 bps
- Increase in the discount rate of 35 bps

In addition, downward changes in assumptions for sales growth could also cause the carrying amount to exceed the estimated recoverable amount.

The Company determined the recoverable amount of the Partners and Other segment exceeded the carrying amount and, therefore, no goodwill and indefinite life intangible asset impairment charges were recorded during the period ended January 31, 2026 (period ended February 1, 2025 - $nil).

8. Financial instruments

The Company's financial instruments consist of cash, accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt, derivative assets and derivative obligations.

The Company has determined that the carrying amount of its short-term financial assets and financial liabilities approximates its fair value due to the short-term maturity of these financial instruments.

The fair value of long-term debt approximates its carrying amount, as determined based on Level 2 of the fair value hierarchy (see Note 2).

The fair value of other assets, which consist of common shares of Saturday Industries Limited ("Mr. Saturday"), are determined using valuation techniques based on unobservable inputs. This has been determined using Level 3 of the fair value hierarchy (see Note 20).

The fair value of derivative assets and derivative obligations resulting from forward contracts and swap contracts are determined using a valuation technique that employs the use of market observable inputs and are based on the differences between the contract rates and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money. This has been determined using Level 2 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy for the periods ended January 31, 2026 and February 1, 2025.

The Company enters into forward contracts to hedge its exposure to a portion of purchases denominated in U.S. dollars. As at January 31, 2026, the Company had outstanding forward contracts to buy US$41,100 (February 1, 2025 – US$37,020) at an average forward rate of 1.38 (February 1, 2025 – 1.37). As at January 31, 2026, the maturity dates on the forward contracts were between February 2, 2026 and January 4, 2027.

For the periods ended January 31, 2026 and February 1, 2025, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a loss of $3,894 (net of tax – $2,862) and a gain of $3,399 (net of tax – $2,499), respectively, which were recorded in other comprehensive income.

During the period ended February 1, 2025, the Company held interest rate swap contracts to hedge a portion of its exposure to changes in the market interest rates for the Credit Facilities, as described in Note 10. The Company held swap contracts to affix its Canadian Overnight Repo Rate Average rate ("CORRA") at 4.4% per annum, until September 2024 on $40,000 of its long-term debt under its Credit Facilities. The swap contracts expired on maturity and there were no interest rate swap contracts outstanding as at January 31, 2026 or February 1, 2025.

For the period ended February 1, 2025, the effective portion of changes in the fair value of swap contracts resulted in a gain of $18 (net of tax – $13), which was recorded in other comprehensive income.

9. Leases

The Company leases various corporate retail store locations, its head office, a distribution warehouse, a manufacturing facility, and equipment under non-cancellable lease agreements. New corporate retail stores typically have a contractual lease period of 5 to 10 years with additional renewal terms available thereafter. Temporary pop-up locations typically have a contract lease period less than two years. Any leases less than 12 months qualify for the short-term exemption discussed in Note 2.

Right-of-use assets

The following table reconciles the changes in ROU assets for the periods ended January 31, 2026 and February 1, 2025:

		January 31, 2026		February 1, 2025
Cost				
Balance, beginning of period	$	184,948	$	169,700
Additions (net of lease incentives received[(1)])		2,323		9,475
Lease modifications		11,116		5,773
Lease expirations[(2)]		(17,806)		–
Balance, end of period	**$**	**180,581**	**$**	**184,948**
Accumulated amortization and impairment losses				
Balance, beginning of period	$	120,523	$	102,256
Depreciation		17,078		18,267
Lease expirations[(2)]		(17,806)		–
Balance, end of period	**$**	**119,795**	**$**	**120,523**
Carrying amount	**$**	**60,786**	**$**	**64,425**

(1) During the period ended January 31, 2026, the Company did not receive any lease incentives. During the period ended February 1, 2025, the Company received lease incentives of $1,331 that have been netted against ROU asset additions.

(2) During the period ended January 31, 2026, the Company derecognized ROU assets with an original cost of $17,806 related to lease contracts that have expired since the adoption of IFRS 16. These ROU assets had been fully depreciated and carried a net book value of $nil at the date of derecognition. The derecognition had no impact on profit or loss for the period. No ROU assets were derecognized during the period ended February 1, 2025.

If a CGU has triggered an impairment assessment, the recoverable amount of the ROU assets is based on the higher of the FVLCS and the VIU of the related CGU. When determining the VIU, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining lease term. Sales forecasts for cash flows are based on actual operating results, operating budgets, and long-term growth rates. The estimate of the VIU of the relevant CGUs was determined using a pre-tax discount rate of 13.0% at January 31, 2026 (February 1, 2025 – 13.0%). When determining the FVLCS, the Company assesses market rental rates of comparable properties and discount rates.

For the periods ended January 31, 2026 and February 1, 2025, the Company recorded no impairment losses on ROU assets.

Lease liabilities

The following table reconciles the changes in lease liabilities for the periods ended January 31, 2026 and February 1, 2025:

		January 31, 2026		February 1, 2025
Balance, beginning of period	$	78,512	$	79,872
Additions		2,297		10,708
Lease modifications		11,150		5,055
Interest expense on lease liabilities		5,049		5,124
Repayment of interest and principal on lease liabilities, net of lease incentives receivable		(23,200)		(22,247)
Balance, end of period	**$**	**73,808**	**$**	**78,512**
Recorded in the consolidated statement of financial position as follows:				
Current portion of lease liabilities	$	21,809	$	22,004
Long-term portion of lease liabilities		51,999		56,508
	$	**73,808**	**$**	**78,512**

The following table summarizes the Company's rent and rent-related expenses (which also approximate the cash outflow) for the periods ended January 31, 2026 and February 1, 2025:

		January 31, 2026		February 1, 2025
Depreciation on ROU assets	$	17,078	$	18,267
Interest expense on lease liabilities		5,049		5,124
Variable lease expense		1,233		1,063
Common area maintenance, property taxes and other		15,284		15,647
Lease payments related to short-term or low value leases		131		238
Total rent and rent-related expenses	**$**	**38,775**	**$**	**40,339**

The future undiscounted minimum lease payments for the Company's leases for its premises, excluding other occupancy charges and variables lease payments, are as follows:

Less than 1 year	$	22,546
Between 1-3 years		31,994
Between 3-5 years		14,586
More than 5 years		20,279
Future undiscounted minimum lease payments	**$**	**89,405**

In addition to the amount disclosed in the table above, as at January 31, 2026, the Company also has future undiscounted cash flows of $6,386 (February 1, 2025 – $nil) related to leases committed to but not yet commenced.

10. Long-term debt

The Company has a secured credit agreement ("Credit Agreement") with a syndicate of lenders consisting of a term loan ("Term Credit Facility") and a revolving credit loan ("Revolving Credit Facility") (together with the Term Credit Facility, the "Credit Facilities").

On June 7, 2024, the Company amended its Credit Agreement to adjust certain definitions, covenant limits, and transitioned from the Canadian Dollar Offered Rate ("CDOR") to the Canadian Overnight Repo Rate Average ("CORRA"). The Company incurred $100 of costs associated with the amendment, which were recorded as debt financing costs within long-term debt and will be recognized as interest expense over the remaining term of the loan.

On May 22, 2025, the Company amended its Credit Agreement to extend the maturity date of September 6, 2026 to September 6, 2027. In addition, the amendment reduced the $60,000 Revolver Credit Facility, which includes a swing loan of $10,000, down to $45,000, and increased the maximum annual excess cash flow sweep, as defined in the Credit Agreement, from $5,000 to $7,500. The Company incurred $274 of costs associated with the amendment, which were recorded as debt financing costs within long-term debt and will be recognized as interest expense over the remaining term of the loan.

The Company has financial and non-financial covenants under the Credit Facilities which allow for net income before interest expense, income taxes expense and depreciation and amortization ("EBITDA") to be adjusted ("Adjusted EBITDA") for purposes of compliance with those covenants. The key financial covenant includes a total debt to Adjusted EBITDA ratio ("Leverage Ratio") and a fixed charge coverage ratio. As at January 31, 2026, the Company was in compliance with its covenants under the Credit Facilities.

The Credit Facilities bear interest according to the type of borrowing advanced, which may be based on a reference rate of the Canadian prime rate, plus a margin that ranges from 175 to 300 bps or the CORRA rate, plus a margin that ranges from 275 to 400 bps. The applicable margins are derived from our Leverage Ratio, as follows: (i) where the Canadian prime rate or U.S. base rate is used, the margins range from 175 bps at less than 2.0x Leverage Ratio, to 300 bps at greater than or equal to 3.5x Leverage Ratio; and (ii) where the CORRA rate is used, the margins range from 275 bps at less than 2.0x Leverage Ratio, to 400 bps at greater than or equal to 3.5x Leverage Ratio. The Company used interest rate swap contracts to hedge the volatility of the underlying bankers' acceptance reference rate on $40,000 of its long-term debt until September 2024 (see Note 8).

As at January 31, 2026 and February 1, 2025, there were no amounts drawn on the Revolving Credit Facility. During the period ended January 31, 2026, the weighted average effective interest rate of the Credit Facilities was 6.0% (period ended February 1, 2025 – 7.3%).

The following table reconciles the changes in cash flows from financing activities for long-term debt for the periods ended January 31, 2026 and February 1, 2025:

	January 31, 2026	February 1, 2025
Long-term debt, beginning of period	$ 41,370	$ 45,010
Long-term debt repayments of Term Credit Facility	(8,657)	(4,024)
Long-term debt financing costs paid	(274)	(100)
Total cash flow from long-term debt financing activities	32,439	40,886
Amortization of long-term debt financing costs	445	484
Total non-cash long-term debt activity	445	484
Total long-term debt, end of period [(1)]	**$ 32,884**	**$ 41,370**

(1) As at January 31, 2026, total long-term debt of $32,884 was net of $639 unamortized long-term debt financing costs. As at February 1, 2025, total long-term debt of $41,370 was net of $810 unamortized long-term debt financing costs.

Recorded in the consolidated statement of financial position as follows:

	January 31, 2026	February 1, 2025
Current portion	$ 5,338	$ 5,937
Non-current portion	27,546	35,433
	$ 32,884	**$ 41,370**

As at January 31, 2026, principal repayments due on long-term debt were as follows:

	Term Credit Facility
Within 1 year	$ 5,338
Between 1 – 3 years	28,185
Total	**$ 33,523**

11. Share capital

The Company's authorized share capital consists of an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. The holders of Shares are entitled to receive distributions as declared from time to time by the Board. Shareholders are entitled to one vote per Share at shareholder meetings of the Company.

Preferred shares of each series, if and when issued, will be entitled to preference over Shares with respect to the payment of dividends. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to vote at any shareholder meetings of the Company.

As at January 31, 2026, there were 39,196,165 Shares (February 1, 2025 – 40,450,213 Shares) and nil preferred shares (February 1, 2025 – nil preferred shares) issued and outstanding. All issued Shares are fully paid.

There were no dividends or distributions declared during the periods ended January 31, 2026 and February 1, 2025.

The following table provides a summary of changes to the Company's share capital:

	January 31, 2026			February 1, 2025		
	Number of Shares		Share capital	Number of Shares		Share capital
Outstanding Shares, beginning of period	40,450,213	$	187,934	40,250,213	$	187,544
Issuance of Shares	32,652		168	200,000		390
Purchase of Shares	(1,286,700)		(6,009)	–		–
Outstanding Shares, end of period	**39,196,165**	**$**	**182,093**	**40,450,213**	**$**	**187,934**

During the period ended January 31, 2026, 32,652 Shares (February 1, 2025 – 200,000 Shares) were issued from treasury as a result of the exercise of 16,667 stock options (February 1, 2025 – 200,000 stock options) and 15,985 restricted share units ("RSUs") (February 1, 2025 – nil RSUs) granted under the Company's Omnibus Equity Incentive Plan (the "Omnibus Plan"), see Note 13.

Share Purchase

On April 5, 2025, the TSX accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to purchase, at its discretion, up to 1,347,118 Shares. The program commenced on April 11, 2025 and terminates on April 10, 2026.

From time to time, the Company participated in an Automatic Shares Purchase Plan ("ASPP") that allowed for the purchase of Shares for cancellation by a designated broker under the NCIB during predetermined trading blackout periods. As at January 31, 2026 and February 1, 2025, there was no obligation for the repurchase of Shares recognized for the potential purchase of Shares under the ASPP.

During the period ended January 31, 2026, 1,286,700 were purchased for cancellation for $4,026, resulting in a decrease to share capital of $6,009 and an increase to retained earnings (deficit) of $1,983. No Shares were purchased for cancellation during the period ended February 1, 2025.

12. Earnings (loss) per share

The Company presents basic and diluted earnings per share data for its Shares. Basic EPS is calculated by dividing net income (loss) by the weighted average number of Shares outstanding during the period. Diluted EPS is determined by adjusting net income (loss) and the weighted average number of Shares outstanding, for the effects of all dilutive potential shares, which comprise share-based compensation granted to employees.

	January 31, 2026	February 1, 2025
Weighted average Shares outstanding	38,049,388	40,251,312
Dilutive share-based compensation instruments	784,466	–
Dilutive weighted average Shares outstanding	38,833,854	40,251,312

		January 31, 2026		February 1, 2025
Net income (loss)	$	4,667	$	(33,443)
Basic earnings (loss) per share	$	0.12	$	(0.83)
Diluted earnings (loss) per share	$	0.12	$	(0.83)

For the periods ended January 31, 2026 and February 1, 2025, 1,030,616 and 1,741,869 stock options, respectively, were excluded from the calculation of dilutive weighted average Shares outstanding, as they were anti-dilutive.

For the period ended January 31, 2026, no RSUs or common share purchase warrants ("Warrants") were excluded from the calculation of diluted weighted average Shares outstanding. For the period ended February 1, 2025, 15,985 RSUs and 100,000 Warrants were excluded in the calculation of dilutive weighted averages Shares outstanding, as they were anti-dilutive.

13. Share-based compensation

Under the various share-based compensation plans, the Company may grant stock options or other security-based instruments that result in the issuance of up to 3,575,740 Shares. As at January 31, 2026, 1,728,366 stock options, 100,000 Warrants, and 481,250 RSUs were granted and outstanding.

The following is a summary of the Company's stock option activity:

For the period ended January 31, 2026	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of warrants [1]	Weighted average exercise price	Number of options & warrants	Weighted average exercise price
Outstanding options, beginning of period	144,575	$ 6.26	1,597,294	$ 2.99	100,000	$ 2.98	1,841,869	$ 3.25
Granted	–	–	149,584	2.22	–	–	149,584	2.22
Exercised	–	–	(16,667)	3.00	–	–	(16,667)	3.00
Forfeited	(32,127)	6.26	(114,293)	3.92	–	–	(146,420)	4.44
Outstanding options, end of period	112,448	$ 6.26	1,615,918	$ 2.85	100,000	$ 2.98	1,828,366	$ 3.07
Exercisable options, end of period	112,448	$ 6.26	1,418,003	$ 2.90	66,667	$ 2.98	1,597,118	$ 3.14

For the period ended February 1, 2025	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of warrants [1]	Weighted average exercise price	Number of options & warrants	Weighted average exercise price
Outstanding options, beginning of period	155,284	$ 6.26	2,009,544	$ 2.84	100,000	$ 2.98	2,264,828	$ 3.08
Exercised	–	–	(200,000)	1.37	–	–	(200,000)	1.37
Forfeited	(10,709)	6.26	(212,250)	3.13	–	–	(222,959)	3.28
Outstanding options, end of period	144,575	$ 6.26	1,597,294	$ 2.99	100,000	$ 2.98	1,841,869	$ 3.25
Exercisable options, end of period	144,575	$ 6.26	1,383,964	$ 3.00	33,334	$ 2.98	1,561,873	$ 3.30

(1) The granted Warrants were issued against the Omnibus plan, reducing the available instruments to issue.

During the period ended January 31, 2026, 149,584 stock options were granted with a fair value of $126. No stock options were granted during the period ended February 1, 2025.

There were no warrants issued during the periods ended January 31, 2026 and February 1, 2025.

The fair value of the stock options issued in the year are estimated at the date of grant using the Black Scholes model and using the following assumptions:

	January 31, 2026	February 1, 2025
Expected volatility	33.0% - 33.6%	N/A – no grants
Share price at grant date	$2.22	N/A – no grants
Exercise price	$2.22	N/A – no grants
Risk-free interest rate	2.92% - 3.10%	N/A – no grants
Expected term	5.5 years – 7.5 years	N/A – no grants
Fair value per option	$0.81 - $0.95	N/A – no grants

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry. The risk-free interest rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

The following is a summary of the Company's RSU and deferred share unit ("DSU") activity:

For the period ended January 31, 2026	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	1,077,123	15,985	1,077,123
Granted	–	494,583	124,818	494,583	124,818
Exercised	(15,985)	–	(415,625)	(15,985)	(415,625)
Forfeited	–	(13,333)	–	(13,333)	–
Units, end of period	–	481,250	786,316	481,250	786,316

For the period ended February 1, 2025	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	911,525	15,985	911,525
Granted	–	–	165,598	–	165,598
Units, end of period	15,985	–	1,077,123	15,985	1,077,123

The fair value of RSUs granted during the period ended January 31, 2026 was $1,098 (period ended February 1, 2025 - $nil). There were no RSUs vested as at January 31, 2026 (February 1, 2025 – 15,985). The fair value of DSUs granted during the period ended January 31, 2026 was $362 (period ended February 1, 2025 – $360).

The fair values of the RSUs and DSUs granted were calculated based on the closing price of a common share on the TSX on the last trading date immediately prior to the date of grant.

The Company's DSUs are cash-settled instruments, such that when exercised, participants will receive a payment in cash equal to the fair market value of the Shares represented by the DSUs on the exercise date. The Company records the fair market value of potential cash-settlement obligations from existing DSUs in selling, general, and administrative expenses with a corresponding adjustment to accounts payable and accrued liabilities. All changes to the fair value of the liability are recorded in the consolidated statement of net income (loss). For the period ended January 31, 2026, the fair market value of future DSU cash-settlement obligations was $2,430 (period ended February 1, 2025 – $2,607). During the periods ended January 31, 2026 and February 1, 2025, the Company recorded $772 and $104, respectively, as an increase to selling, general, and administrative expenses as a result of the changes in the fair market value of DSU cash-settlement obligations.

The grant date fair value of share-based compensation awards granted to employees is recognized as share-based compensation expense, recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus, over the period that the employees unconditionally become entitled to the awards. For the period ended January 31, 2026, the Company recorded share-based compensation expense of $646 (period ended February 1, 2025 - $156).

14. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company prepares cash flow forecasts to ensure it has sufficient funds through operations and access to debt facilities to meet its financial obligations. The Company maintains the Credit Facilities, as described in Note 10, allowing it to access funds for operations. Continued compliance with the covenants under the Credit Facilities is dependent on the Company achieving financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-compliance, the Company's lenders have the right to demand repayment of the amounts outstanding under the current lending agreements or pursue other remedies, including provision of waivers for financial covenants.

The contractual maturities of the Company's current and long-term financial liabilities as at January 31, 2026, excluding interest payments, are as follows:

			Remaining to maturity			
	Carrying amount	Contractual cash flows	Under 1 year	1 – 3 years	3 – 5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	$ 29,348	$ 29,348	$ 29,348	$ –	$ –	$ –
Long-term debt	32,884	33,523	5,338	28,185	–	–
Lease liabilities	73,808	89,405	22,546	31,994	14,586	20,279
	$ 136,040	$ 152,276	$ 57,232	$ 60,179	$ 14,586	$ 20,279

(b) Currency risk

The Company is exposed to foreign exchange risk on foreign currency denominated financial assets and liabilities. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed pre-tax net income (loss) for the period ended January 31, 2026 by $590 (period ended February 1, 2025 – $608), as a result of the revaluation on these financial assets and liabilities. For the period ended January 31, 2026, the Company recorded $812 as an increase to selling, general, and administrative expenses as a result of the revaluation on these foreign currency denominated financial assets and liabilities (February 1, 2025 – $297 reduction).

The Company purchases a significant amount of its merchandise in U.S. dollars and enters into forward contracts to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases. A five-percentage point change in the Canadian dollar against the

U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income for the period ended January 31, 2026 by $2,739 (period ended February 1, 2025 – $2,628), as a result of the revaluation on the Company's forward contracts.

(c) Interest rate risk

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under the Credit Facilities. During the period ended February 1, 2025, the Company hedged its exposure to the volatility of the interest rate on $40,000 of its long-term debt under its Credit Facilities until the interest rate swap contracts expired on maturity September 6, 2024, reducing the impact of market fluctuations in interest rates on pre-tax net income (loss). A one-percentage point change in the applicable interest rate would have changed pre-tax net income (loss) for the period ended January 31, 2026 by $418 (period ended February 1, 2025 – $196).

(d) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, accounts receivable and derivative contracts used to hedge market risks. The Company limits its exposure to credit risk with respect to cash and derivative contracts by dealing primarily with large Canadian and U.S. financial institutions. The Company's accounts receivable consists primarily of receivables from business partners in the Partners and Other segment, which are generally settled in the following fiscal quarter.

As at January 31, 2026, the Company's maximum exposure to credit risk for accounts receivable was $10,066 (February 1, 2025 – $11,843).

(e) Capital management

The Company manages its capital and capital structure with the objective of ensuring that sufficient liquidity is available to support its financial obligations and to execute its strategic plans. The Company considers EBITDA as a measure of its ability to service its debt and meet other financial obligations as they become due.

15. Income taxes expense (recovery)

The Company's income taxes expense (recovery) comprises the following:

	January 31, 2026	February 1, 2025
Current income taxes expense	$ 757	$ 46
Deferred income taxes expense (recovery) relating to the origination and reversal of temporary differences:	1,317	(11,813)
Total income taxes expense (recovery)	**$ 2,074**	**$ (11,767)**

The effective income tax rate in the consolidated statement of net income (loss) and consolidated statement of comprehensive income (loss) was reported at rates different than the combined basic Canadian federal and provincial average statutory income tax rates, as follows:

	January 31, 2026	February 1, 2025
Combined basic federal and provincial average statutory tax rate	26.5%	26.5%
Non-deductible expenses	4.3%	(0.5%)
Effective tax rate	30.8%	26.0%

The difference in the effective tax rate is attributed to non-deductible expenses, which is primarily related to share-based compensation expenses.

For the period ended January 31, 2026, the Company does not have any unrecognized deferred tax assets (February 1, 2025 – $nil).

The following tables outline the movements in the deferred tax liabilities:

	As at February 1, 2025	Expense (Recovery)	Other Comprehensive Income (Loss)	As at January 31, 2026
Deferred financing costs	$ 49	$ (29)	$ –	$ 20
Fixed assets	1,016	1	–	1,017
ROU assets and lease liabilities	(696)	50	–	(646)
Intangible assets and goodwill	10,806	1,242	–	12,048
Derivative obligations	675	–	(1,061)	(386)
Timing of reserve deductibility	(822)	53	–	(769)
	$ 11,028	$ 1,317	$ (1,061)	$ 11,284

	As at February 3, 2024	Expense (Recovery)	Other Comprehensive Income	As at February 1, 2025
Deferred financing costs	$ 79	$ (30)	$ –	$ 49
Fixed assets	769	247	–	1,016
ROU assets and lease liabilities	(655)	(41)	–	(696)
Intangible assets and goodwill	22,658	(11,852)	–	10,806
Derivative obligations	(35)	87	623	675
Timing of reserve deductibility	(598)	(224)	–	(822)
	$ 22,218	$ (11,813)	$ 623	$ 11,028

16. Interest expense

The Company's interest expense comprises the following:

	January 31, 2026	February 1, 2025
Interest on lease liabilities (Note 9)	$ 5,049	$ 5,124
Interest on Credit Facilities (Note 10)	2,759	3,741
Amortization of deferred financing fees (Note 10)	445	484
Interest revenue	(252)	(509)
Total interest expense	**$ 8,001**	**$ 8,840**

17. Contingencies

During the normal course of business, the Company, from time to time, becomes involved in various claims and legal proceedings. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the Company's financial position.

In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. The Company is not aware of any potential liabilities from any reassessments, nor any other liabilities that may arise from the tax positions taken.

18. Personnel expenses

	January 31, 2026	February 1, 2025
Wages and salaries	$ 56,129	$ 53,138
Benefits and other incentives	14,427	13,544
Severance	1,622	311
Total personnel expenses	**$ 72,178**	**$ 66,993**

19. Related party transactions

The Company's related parties include key management personnel and key shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight") beneficially own approximately 52.4% of the total issued and outstanding Shares, and Shareholders of a company formerly known as Roots Canada Ltd., through their wholly-owned entities ("the Founders"), continue to own a minority interest of the total issued and outstanding Shares. The transactions described below are in the normal course of business and have been accounted for at their exchange value.

(a) Transaction with shareholders

The Company leases the building for its leather factory from companies that are under common control of the Founders. The rent paid on this property was $752 for the period ended January 31, 2026 (February 1, 2025 – $731).

(b) Transactions with key management personnel

Key management of the Company includes members of the Board, as well as members of the Company's executive team. Key management personnel remuneration includes the following:

	January 31, 2026	February 1, 2025
Salaries, benefits and incentives	$ 5,353	$ 4,239
Management share-based compensation	625	16
Director fees	647	648
Total	**$ 6,625**	**$ 4,903**

20. Other assets

Other assets include a minority investment in the common shares of Mr. Saturday ("Mr. Saturday Shares"), acquired as part of the Company's appointment of Mr. Saturday and its principal Joey Gollish as Creative Director in Residence.

The Company elected, upon initial recognition, to present changes in the fair value of the Mr. Saturday Shares in other comprehensive income as the Company determined they are not held-for-trading. As at January 31, 2026, the Mr. Saturday Shares had a fair value of $300 (February 1, 2025 – $300), resulting in no gain or loss for the period ended January 31, 2026.