ROOTS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Second Quarter Ended August 1, 2026)

The following Management's Discussion and Analysis ("**MD&A**") dated September 10, 2026 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Roots Corporation (together with its consolidated subsidiaries, referred to herein as "**Roots**", the "**Company**", "**us**", "**we**" or "**our**"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the 13 week and 26 week periods ended August 1, 2026. This MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements for the 13 week and 26 week periods ended August 1, 2026, including the related notes thereto (the "**Interim Financial Statements**"), and our audited consolidated financial statements for the 52 week fiscal year ended January 31, 2026, including the related notes thereto (the "**Annual Financial Statements**") and the related Management's Discussion and Analysis.

BASIS OF PRESENTATION

Our Interim Financial Statements and Annual Financial Statements have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), using the accounting policies described in our Interim Financial Statements and Annual Financial Statements, as the case may be. All amounts are presented in thousands of Canadian dollars, unless otherwise indicated.

All references in this MD&A to "**Q2 2026**" are to the 13 week period ended August 1, 2026, and all references to "**Q2 2025**" are to the 13 week period ended August 2, 2025. All references in this MD&A to "**YTD 2026**" are to the 26 week period ended August 1, 2026, and all references to "**YTD 2025**" are to the 26 week period ended August 2, 2025. All references in this MD&A to "**F2026**" are to the 52 week period ending January 30, 2027, all references to "**F2025**" are to the 52 week period ended January 31, 2026.

The Interim Financial Statements and this MD&A were reviewed by our Audit Committee and approved by our Board of Directors (the "**Board**") on September 10, 2026.

Certain totals, subtotals, and percentages throughout this MD&A may not reconcile due to rounding.

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES AND INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, net income (loss) or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including, "EBITDA", "Adjusted EBITDA", "Adjusted Net Income (Loss)", and "Net Debt"; and non-IFRS ratios including "Adjusted Net Income (Loss) per Share", and "Leverage Ratio". This MD&A also refers to "gross margin", "DTC gross margin", and "Comparable Sales", which are commonly used metrics in our industry but that may be calculated differently compared to other companies. We believe these non-IFRS measures and industry metrics provide useful information to both management and investors in measuring our financial performance and condition and highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

Management also uses non-IFRS measures to exclude the impact of certain expenses and income that management does not believe reflect the Company's underlying operating performance and that make comparisons of underlying financial performance between periods difficult. Management also uses non-IFRS measures to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees. We may exclude additional items, from time to time, if we believe doing so would result in a more effective analysis of our underlying operating performance.

"**EBITDA**" is a non-IFRS measure and is defined as net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization. The IFRS measurement most directly comparable to EBITDA is net income (loss).

"**Adjusted EBITDA**" is a non-IFRS measure and is defined as EBITDA, adjusted for the impact of certain items, including share-based compensation expense, asset impairment expense, purchase price accounting adjustments, executive recruitment and severance costs, legal costs outside the normal course of operations, and other non-cash items and/or items that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult. Adjusted EBITDA also excludes the impact of IFRS 16 – *Leases* ("**IFRS 16**") and includes rent expense, a significant expense for our corporate retail stores. We believe that Adjusted EBITDA is useful, to both management and investors, in assessing the underlying performance of our ongoing operations and our ability to generate cash flows to fund our cash requirement. The IFRS measurement most directly comparable to Adjusted EBITDA is net income (loss).

"**Adjusted Net Income (Loss)**" is a non-IFRS measure and is defined as net income (loss), adjusted for the impact of certain items, including share-based compensation expense, asset impairment expense, purchase price accounting adjustments, executive recruitment and severance costs, legal costs outside the normal course of operations, and other non-cash items and/or items that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult, net of related tax effects. Adjusted Net Income (Loss) also excludes the impact of IFRS 16 and includes rent expense, a significant expense for our corporate retail stores. We believe that Adjusted Net Income (Loss) is useful, to both management and investors, in assessing the underlying performance of our ongoing operations. The IFRS measurement most directly comparable to Adjusted Net Income (Loss) is net income (loss).

"**Adjusted Net Income (Loss) per Share**" is a non-IFRS ratio and is defined as Adjusted Net Income (Loss), divided by the weighted average Shares (as defined herein) outstanding during the periods presented. We believe that Adjusted Net Income (Loss) per Share is useful, to both management and investors, in assessing the underlying performance of our ongoing operations, on a per share basis.

"**Comparable Sales**" is a retail industry metric used to compare the total combined sales growth or decline in percentage terms of sales derived from mature stores and eCommerce, in a certain period, compared to the prior year sales from the same stores and eCommerce, over the same time period of the prior fiscal year. We believe Comparable Sales helps explain changes to our sales in established stores and eCommerce, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. Comparable Sales is considered a supplementary financial measure under applicable securities law and may be calculated differently compared to other companies. Comparable Sales is calculated based on sales (net of a provision for returns) from stores that have been open for at least 52 weeks in our DTC segment, including eCommerce sales (net of a provision for returns) in our DTC segment, and excludes sales fluctuations during store renovations and circumstances that make comparisons of year-over-year results less meaningful. In malls where we have opened secondary pop-up locations, the sales from both the permanent and pop-up stores will be excluded from the calculation of Comparable Sales until both stores have been open for at least 52 weeks. Comparable Sales excludes the impact of foreign currency fluctuations by applying the prior year's U.S. dollar to Canadian dollar exchange rates to both current year and prior year comparable sales to achieve a consistent basis for comparison.

See "Reconciliation of Non-IFRS Measures" for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to anticipated events or results and may include information regarding our business, financial position, results of operations, business strategy, growth plans and strategies, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the “Risks and Uncertainties” section of this MD&A and in the “Risk Factors” section of our annual information form (“**AIF**”). A copy of the AIF can be accessed under our profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR+**”) at www.sedarplus.ca and on our website at www.roots.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully. In particular, the forward-looking information related to the Arrangement (as defined herein), including the anticipated timing for completion thereof and the benefits anticipated to be derived therefrom, are subject to the further risk that the closing conditions may not be satisfied or waived such that closing of the Arrangement does not occur on current terms or at all.

The purpose of the forward-looking information is to provide the reader with a description of management’s current expectations regarding the Company’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking information contained herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking information contained in this MD&A is made as at the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

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 the end of Q2 2026, operated 97 corporate retail stores and 10 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.

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

Real Estate

The following table summarizes the change in our corporate retail store count for the periods indicated.

	Q2 2026	**Q1 2026**	**Q4 2025**	**Q3 2025**	**Q2 2025**
Number of stores, beginning of period	98	99	101	100	100
New stores[(1)]	1	–	–	1	–
Permanently closed stores[(2)]	–	(1)	(2)	–	–
Number of stores, end of period	**99**	**98**	**99**	**101**	**100**
Stores renovated or relocated	2	2	1	–	2
Temporary pop-up locations, in addition to above store count	10	11	11	11	11

Notes:

(1) The new store in Q2 2026 represents the reclassification of a temporary pop-up to a permanent store.
(2) Q1 2026 includes one store closed temporarily for relocation; the new location is expected to open in the third quarter of F2026.

We also have more than 100 partner-operated stores in Asia.

KEY BUSINESS DEVELOPMENTS

Distribution Centre Transition Update

In January 2026, the Company announced its strategic distribution partnership with Metro Supply Chain ("Metro"). The transition was completed in Q2 2026.

In Q2 2026, the Company incurred $1,993 of incremental costs related to the transition, $1,205 of which was related to accelerated non-cash depreciation of existing fixed assets, and $788 from non-recurring transition costs, including operating costs of two distribution centres during the transition. In the Interim Financial Statements, $621 was recorded in cost of goods sold and $1,372 recorded in selling, general, and administrative ("**SG&A**") expenses.

For YTD 2026, the cumulative incremental costs related to the transition totaled $3,812, of which $2,886 was non-cash depreciation on existing fixed assets.

Commencing June 2026, occupancy costs for the distribution operations with Metro Supply Chain are recorded within cost of goods sold, whereas comparable occupancy costs for the Company's former distribution centre were recorded within SG&A expenses.

Strategic Review Update

As announced in March 2026, the Company and its Board of Directors continue to conduct its review of strategic alternatives, which may include, but not limited to, a sale of the Company. The strategic review was completed after the end of Q2 2026, see "Subsequent Events".

In Q2 2026, the Company incurred $980 in incremental consulting and legal costs related to this process. Year-to-date, the costs incurred related to this process have been $1,531.

FACTORS AFFECTING OUR PERFORMANCE

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which we discuss below. See the "Risks and Uncertainties" section of this MD&A and the "Risk Factors" section of our AIF.

Brand Awareness

The Roots brand is well-known in Canada and Taiwan, with locations also in the United States and a digital presence in China. Any loss of brand appeal from factors such as changing consumer trends and increased competition may adversely affect our business and financial results. To address this, we focus on building our brand and strengthening our brand voice through innovative, impactful brand initiatives as well as delivering customer insight-driven product designs. In addition, we work to best position our brand and business globally by leveraging the operational investments that we have made and strengthening our omni-channel footprint.

Our Omni-Channel Business

Our corporate retail stores and eCommerce platform are integrated, providing our customers with a seamless omni-channel shopping experience whether they are shopping online from a desktop or mobile device, or in one of our retail stores. This includes the ability to:

- order in-store for home delivery;
- shop anytime, anywhere at roots.com;
- fulfill roots.com orders through in-store inventory;
- ship goods to your desired store;
- buy online, pick up in store; and
- return goods seamlessly via any channel.

The success of our business is heavily dependent on our ability to continue to drive profitable sales in our DTC segment and to grow our omni-channel footprint. This includes enhancing our eCommerce capabilities and optimizing our corporate retail store footprint. Our ability to successfully execute our omni-channel strategy is an important driver of our longer-term growth.

We depend on third-party logistics partners to replenish our retail store inventory and fulfill sales transactions with our customers in a dependable and timely manner. Changes in geographic coverage, service levels, capacity levels, and labour disruptions at our logistics partners may adversely affect our business and financial results. We continue to work with our third-party logistics partners to ensure that options are available in order to mitigate the risk of a disruption to delivery services.

Prior to June 2026, retail store distribution and eCommerce and wholesale order fulfillment were both completed at one single Roots-operated distribution centre. In Q2 2026, the Company completed its transition to the Metro distribution centre, shifting the operations from the Roots-operated distribution centre. Being able to fulfill centrally enables us to more effectively scale and execute our omni-channel strategy. Conversely, any failure of the distribution facility to meet the demands of the Company, or to keep pace with our growth, could have a material adverse effect on our business and financial results.

Our International Operating Partner

Much of the success of our international business is dependent on the performance of our international operating partner's retail operations. Our ability to continue to recognize wholesale sales of Roots-branded products to our partner depends on our partner continuing to grow its business. Our partner's ability to successfully execute on its multi-channel strategy and our ability to support our partner in this growth will impact the performance of our business. Our partner's sales are also impacted by shifts in economic conditions in the regions in which it operates that are beyond our and our partner's control, including: employment rates; consumer confidence levels; geopolitical circumstances; consumer debt; interest rates; and trade restrictions, all of which could limit the disposable income and discretionary spending levels of consumers.

Product Development and Merchandising

Our sales are driven primarily from major Canadian markets during the fall and winter months. However, we are not defined by one product, sales channel, season, geography, or demographic. With over five decades of product leadership, our product range is diversified and comprised of apparel, leather goods, accessories and footwear. Serving as the foundation of our distinct identity, many of our enduring icons have been in our product assortment for decades and remain favourites among customers today.

We continue to execute our broader merchandising strategy of bringing better products and assortments to our diverse and global consumer base. Through our formalized and analytical approach to product line development and our distribution channel upgrades, we are able to deliver coordinated collections across all lines of products, bringing the right products through the right channels to our broadening base of customers.

Our business is affected by our ability to continue to develop products that resonate with consumers and we are working to accelerate our product development as we continue to introduce products to mitigate the seasonal nature of our business (as further described below) and expand our addressable geographic market.

Foreign Exchange

We generate the majority of our revenues in Canadian dollars, while a significant portion of our cost of goods sold is denominated in U.S. dollars, which exposes us to fluctuations in foreign currency exchange rates. We enter into hedging arrangements to mitigate a portion of the risk associated with fluctuations in the U.S. dollar relative to the Canadian dollar. See “Financial Instruments” for a further discussion of our hedging arrangements.

Seasonality

We experience seasonal fluctuations in our retail business, as we generate a meaningful portion of our sales and earnings in our third and fourth fiscal quarters. Our working capital requirements generally increase in the periods preceding these peak periods, and it is not uncommon for our EBITDA to be negative in the first two fiscal quarters.

The average portion of our annual sales generated during each quarter of a fiscal year over the last three completed fiscal years is outlined in the following table:

First fiscal quarter	14%
Second fiscal quarter	17%
Third fiscal quarter	24%
Fourth fiscal quarter	45%
Total fiscal year	**100%**

Weather

Our corporate retail stores could be adversely impacted by extreme weather conditions in regions in which they operate. For example, severe or abnormal snowfall, rainfall, ice storms, or other adverse weather conditions could decrease customer traffic in our stores and could adversely impact our results. Our omni-channel presence helps to mitigate the impact of extreme weather conditions as customers are able to order products through our eCommerce platform. Severe weather may also negatively impact our supply chain and result in delays in receiving inventory and fulfilling orders. Furthermore, we are subject to risks relating to unseasonable weather patterns, such as warmer temperatures in the fall and winter seasons and cooler temperatures in the spring and summer seasons, which could cause our inventory to be incompatible with prevailing weather conditions and could diminish demand for seasonal merchandise.

Consumer Trends

Our success largely depends on our ability to anticipate and respond to shifts in consumer trends, demands and preferences in a timely manner. Our products are subject to changing consumer preferences that cannot be predicted with certainty. If we are unable to adequately respond to changing consumer trends, our sales could be adversely impacted, or we could experience higher inventory markdowns which could decrease our profitability. This is mitigated by our focus on continuous product development to create products that resonate with our consumers, our diverse product range across multiple categories, and the fact that our enduring icons have remained favourites of our customers for decades and continue to be customer favourites today.

Global Geopolitical and Economic Environment

Our business is also impacted by changes in the global geopolitical and economic landscapes that are beyond our control. Changes in geopolitical conditions could cause disruption in our ability to operate in, and/or source from, the affected markets in a profitable manner. The imposition of duties, tariffs and other trade protection measures may adversely affect our business, operations, and financial condition. Worsening of economic conditions within the markets in which we operate, including increases in inflation rates, unemployment rates, interest rates, duty and tariff levels, and consumer debt could limit the disposable income available to our customers, and increase the cost to operate our business. Volatility and uncertainty in both the geopolitical and economic landscapes could also reduce consumer confidence and reduce discretionary spending levels of consumers. We continue to closely monitor geopolitical and global economic developments and will adjust our operations, where possible, to minimize the impact to our business.

SEGMENTS

We report our results in two segments: (1) DTC and (2) Partners and Other. We measure each reportable operating segment's performance based on sales and gross profit. Our DTC segment comprises sales through our corporate retail stores and eCommerce. Our Partners and Other segment consists primarily of the wholesale of Roots-branded products to our international operating partner. Our 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.

During Q2 2026, our DTC and Partners and Other segments contributed 81.8% and 18.2% of our sales, respectively (Q2 2025 – 80.9% and 19.1% of our sales, respectively). During YTD 2026, the DTC and Partners and Other segments represented 82.8% and 17.2% of our sales, respectively (YTD 2025 – 83.4% and 16.6% of our sales, respectively).

SUMMARY OF FINANCIAL PERFORMANCE

We refer the reader to the sections entitled "Components of our Results of Operations", "Factors Affecting our Performance" and "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics" in this MD&A for the definition of the items discussed below and, when applicable, to the section entitled "Reconciliation of Non-IFRS Measures" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

The following table summarizes our results of operations for the periods indicated:

CAD $000s (except per share data)	**Q2 2026**	**Q2 2025**	**YTD 2026**	**YTD 2025**
Consolidated statement of net loss data:				
Sales	49,544	50,769	92,111	90,749
Gross profit	28,862	30,828	54,369	55,400
Gross margin	58.3%	60.7%	59.0%	61.0%
Selling, general and administrative expenses	35,211	34,732	72,507	68,021
Net loss	(6,038)	(4,394)	(16,099)	(12,305)
Basic loss per share	$(0.15)	$(0.11)	$(0.41)	$(0.31)
Diluted loss per share	$(0.15)	$(0.11)	$(0.41)	$(0.31)
Non-IFRS Measures and Other Performance Measures:				
Corporate retail stores, end of period	99	100	99	100
Comparable Sales(1) growth (decline)	(1.0%)	17.8%	0.9%	15.8%
EBITDA(1)	1,669	3,128	(1,479)	1,276
Adjusted EBITDA(1)	(1,573)	(2,130)	(9,009)	(9,236)
Adjusted Net Income (Loss)(1)	(3,207)	(3,751)	(10,783)	(11,106)
Adjusted Net Income (Loss) per Share(1)	$(0.08)	$(0.09)	$(0.28)	$(0.28)
Net Debt(1)	n/a	n/a	33,627	38,131

Notes:

(1) Comparable Sales, EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Share, and Net Debt are non-IFRS measures, non-IFRS ratios, and/or supplementary financial measures, as applicable. See "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics" for a description of these measures. See "Reconciliation of Non-IFRS Measures" and "Indebtedness" for reconciliation of these measures.

RECONCILIATION OF NON-IFRS MEASURES

The tables below provide a reconciliation of net loss to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) per Share for the periods presented:

CAD $000s	**Q2 2026**	**Q2 2025**	**YTD 2026**	**YTD 2025**
Net loss	**(6,038)**	**(4,394)**	**(16,099)**	**(12,305)**
Add the impact of:				
Interest expense (a)	1,829	1,993	3,572	4,008
Income taxes recovery (a)	(2,140)	(1,503)	(5,611)	(4,324)
Depreciation and amortization (a)	8,018	7,032	16,659	13,897
EBITDA	**1,669**	**3,128**	**(1,479)**	**1,276**
Adjust for the impact of:				
SG&A: Rent expense excluded from net loss due to IFRS 16 (a)	(5,557)	(5,545)	(11,195)	(10,924)
SG&A: Purchase accounting adjustments (b)	–	(4)	–	(8)
SG&A: Stock option expense (c)	75	203	239	278
SG&A: Changes in key personnel (d)	367	85	639	139
SG&A: Tariffs on US web shipments (e)	21	–	119	–
SG&A: Transition of distribution centre - consulting & other costs (f)	167	–	305	–
COGS: Transition of distribution centre – non-recurring costs (f)	621	–	621	–
SG&A: Strategic review related costs (g)	980	–	1,531	–
SG&A: Other non-recurring items (h)	84	3	211	3
Adjusted EBITDA (j)	**(1,573)**	**(2,130)**	**(9,009)**	**(9,236)**

CAD $000s	**Q2 2026**	**Q2 2025**	**YTD 2026**	**YTD 2025**
Net loss	**(6,038)**	**(4,394)**	**(16,099)**	**(12,305)**
Reverse the impact of IFRS 16:				
Rent expense excluded from net loss (a)	(5,557)	(5,545)	(11,195)	(10,924)
Depreciation on ROU assets (a)	4,298	4,237	8,637	8,354
Interest on lease liabilities (a)	1,183	1,247	2,391	2,539
Deferred tax impact (a)	19	16	44	8
Total IFRS 16 impacts reversed	(57)	(45)	(123)	(23)
Adjust for the impact of:				
SG&A: Purchase accounting adjustments (b)	–	(4)	–	(8)
SG&A: Stock option expense (c)	75	203	239	278
SG&A: Changes in key personnel (d)	367	85	639	139
SG&A: Tariffs on US web shipments (e)	21	–	119	–
SG&A: Transition of distribution centre - consulting & other costs (f)	167	–	305	–
SG&A: Transition of distribution centre - accelerated non-cash depreciation (f)	1,205	–	2,886	–
COGS: Transition of distribution centre – non-recurring costs (f)	621	–	621	–
SG&A: Strategic review related costs (g)	980	–	1,531	–
SG&A: Other non-recurring items (h)	84	3	211	3
SG&A: Amortization of intangible assets acquired by Searchlight Capital Partners, L.P. (“**Searchlight**”) (i)	382	575	764	1,150
Total adjustments	3,902	862	7,315	1,562
Tax effect of adjustments	(1,014)	(174)	(1,876)	(340)
Adjusted Net Income (Loss) (k)	**(3,207)**	**(3,751)**	**(10,783)**	**(11,106)**
Adjusted Net Income (Loss) per Share (l)	**(0.08)**	**(0.09)**	**(0.28)**	**(0.28)**

Notes:

(a) The impact of IFRS 16 in Q2 2026 and Q2 2025 was: (i) a decrease to SG&A expenses of $1,259 and $1,308, respectively, which comprised the impact of depreciation and lease modifications on the right-of-use ("**ROU**") assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of $1,183 and $1,247, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax expense of $19 and $16, respectively, based on tax attributed to these IFRS 16 impacts. The impact of IFRS 16 in YTD 2026 and YTD 2025 was: (i) a decrease to SG&A expenses of $2,558 and $2,570, respectively, which comprised the impact of depreciation and lease modifications on the ROU assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of $2,391 and $2,539, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax expense of $44 and $8, respectively, based on tax attributed to these IFRS 16 impacts.

(b) Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd. and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015 (the "**Acquisition**"). As a result of the Acquisition, the Company recognized an intangible asset for lease arrangements in the amount of $6,310, which when excluding the impacts of IFRS 16, is amortized over the life of the leases and included in SG&A expenses.

(c) Represents non-cash share-based compensation expense in respect of our Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Equity Incentive Plan.

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

(e) Prior to the implementation of a transfer pricing structure, Roots paid tariffs on the retail sales value of US-bound eCommerce shipments. The Company has undertaken a transfer pricing study and determined that approximately 70% of the tariffs could be saved under the determined structure, which was formally put in place in March 2026. The adjustment of $21 and $119 represents the portion of tariffs that would have been saved in Q2 2026 and YTD 2026, respectively, had the transfer pricing structure been implemented for all of F2026. The adjustment in Q2 2026 pertains to tariffs paid on shipments that were processed by US customs prior to the implementation of transfer pricing arrangements.

(f) Represents consulting, implementation, and transition costs in connection to the migration of the Company's distribution centre from its in-house facility to a third-party operated facility and accelerated non-cash depreciation on assets at its in-house facility. The Company does not believe the costs are reflective of the underlying business results as the migration of a distribution centre is infrequent in nature.

(g) Represents consulting and legal costs incurred in connection with the strategic review initiated by the Company's Board of Directors in March 2026, which are outside the scope of normal operations.

(h) Represents one-time costs that do not reflect the underlying profitability of the business, including consulting fees related to the transfer pricing initiative and non-recurring settlement fees relating to the termination of certain operating contracts.

(i) As a result of the Acquisition, intangibles relating to customer relationships of $7,766 with a useful life of 10 years and licensing arrangements of $25,910 with useful lives ranging from 4 to 13 years were recognized in accordance with IFRS 3, *Business Combinations*. The amortization expense resulting from the recognition of these intangible assets are non-cash in nature and are a direct result of the Acquisition. If the Acquisition had not occurred, such intangibles would not have been recognized and, consequently, the associated expenses would not have been incurred.

(j) Adjusted EBITDA excludes the impact of IFRS 16. If the impact of IFRS 16 was included for Q2 2026 and Q2 2025, Adjusted EBITDA would have been $3,984 and $3,419, respectively. If the impact of IFRS 16 was included for YTD 2026 and YTD 2025, Adjusted EBITDA would have been $2,186 and $1,696, respectively.

(k) Adjusted Net Income (Loss) excludes the impact of IFRS 16 in Q2 2026 and Q2 2025. If the impact of IFRS 16 was included for Q2 2026 and Q2 2025, Adjusted Net Income (Loss) would have been $(3,150) and $(3,703), respectively. If the impact of IFRS 16 was included for YTD 2026 and YTD 2025, Adjusted Net Income (Loss) would have been $(10,660) and $(11,077), respectively.

(l) Adjusted Net Income (Loss) per Share has been calculated based on the weighted average number of shares outstanding during the period. The weighted average number of shares during Q2 2026 and Q2 2025 was 39,196,594 and 40,020,311, respectively. The weighted average number of shares during YTD 2026 and YTD 2025 was 39,196,594 and 40,068,308, respectively.

Selected Financial Results for Q2 2026 Compared to Q2 2025

- Total sales decreased by $1,225, or 2.4%, to $49,544 in Q2 2026, from $50,769 in Q2 2025.
    - DTC sales decreased by $516, or 1.3%, to $40,533 in Q2 2026, from $41,049 in Q2 2025. Comparable Sales(1) decreased 1.0%.
    - Partners and Other sales decreased by $709, or 7.3%, to $9,011 in Q2 2026, from $9,720 in Q2 2025.
- Gross profit decreased by $1,966, or 6.4%, to $28,862 in Q2 2026, from $30,828 in Q2 2025.
    - DTC gross profit decreased by $1,354, or 5.2%, to $24,574 in Q2 2026, from $25,928 in Q2 2025. DTC gross profit as a percentage of sales ("**DTC gross margin**") decreased to 60.6% in Q2 2026, from 63.2% in Q2 2025.
- SG&A expenses increased by $479, or 1.4%, to $35,211 in Q2 2026, from $34,732 in Q2 2025.
- Adjusted EBITDA(1) was $(1,573) in Q2 2026 as compared to $(2,130) in Q2 2025.
- Net loss was $(6,038) in Q2 2026 as compared to $(4,394) in Q2 2025.
- Adjusted Net Income (Loss)(1) was $(3,207) in Q2 2026 as compared to $(3,751) in Q2 2025.
- Basic loss per share was $(0.15) in Q2 2026 as compared to $(0.11) in Q2 2025.
- Adjusted Net Income (Loss) per Share(1) was $(0.08) in Q2 2026 as compared to $(0.09) in Q2 2025.

Selected Financial Results for YTD 2026 Compared to YTD 2025

- Total sales increased by $1,362, or 1.5%, to $92,111 in YTD 2026, from $90,749 in YTD 2025.
    - DTC sales increased by $641, or 0.8%, to $76,298 in YTD 2026, from $75,657 in YTD 2025. Comparable Sales(1) increased 0.9%.
    - Partners and Other sales increased by $721, or 4.8%, to $15,813 in YTD 2026, from $15,092 in YTD 2025.
- Gross profit decreased by $1,031, or 1.9%, to $54,369 in YTD 2026, from $55,400 in YTD 2025.
    - DTC gross profit decreased by $1,221, or 2.6%, to $46,492 in YTD 2026, from $47,713 in YTD 2025, and DTC gross margin decreased to 60.9% in YTD 2026, from 63.1% in YTD 2025.
- SG&A expenses increased by $4,486, or 6.6%, to $72,507 in YTD 2026, from $68,021 in YTD 2025.

- Adjusted EBITDA[1] was $(9,009) in YTD 2026 as compared to $(9,236) in YTD 2025.
- Net loss was $(16,099) in YTD 2026 as compared to $(12,305) in YTD 2025.
- Adjusted Net Income (Loss)[1] was $(10,783) in YTD 2026 as compared to $(11,106) in YTD 2025.
- Basic loss per share was $(0.41) in YTD 2026 as compared to $(0.31) in YTD 2025.
- Adjusted Net Income (Loss) per Share[1] was $(0.28) in YTD 2026 as compared to $(0.28) in YTD 2025.

Note:

(1) Comparable Sales, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) per Share are non-IFRS measures, non-IFRS ratios, and/or supplementary financial measures, as applicable. See “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” for a description of these measures. See “Reconciliation of Non-IFRS Measures” for reconciliation of these measures.

COMPONENTS OF OUR RESULTS OF OPERATIONS

In assessing our results of operations, we consider a variety of financial and operating measures that affect our operating results.

Sales

Sales in our DTC segment includes sales through our corporate retail stores in North America and through our eCommerce operations. Sales to customers through our corporate 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 for retail stores and eCommerce sales, respectively.

Sales in our Partners and Other segment consist 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. Wholesale sales are recognized when the performance obligations of goods delivery have been passed to the customer which, depending on the specific contractual terms of each customer, is either at the time of shipment by Roots or receipt by the customer. Contractually, our international partner and wholesale partners are unable to return goods purchased from us. Royalty sales are earned and recognized on an accrual basis in accordance with the various contractual agreements, at the later of (i) sales of licensed goods as reported by our international partner and other third-party licensees, and (ii) when all performance obligations pertaining to the royalty have been satisfied.

Gross Profit

Gross profit is sales less cost of goods sold. Cost of goods sold includes the cost of purchasing products from manufacturers, including direct purchase costs, freight costs, import duties and non-refundable taxes. For select leather products manufactured by us in-house, cost of goods sold includes the cost of manufacturing our products, including raw materials, direct labour and overhead, plus freight costs. Cost of goods sold also includes variable distribution centre costs incurred to prepare our inventory for sale. Starting June 2026, with the transition from in-house distribution centre operations to Metro Supply Chain third-party distribution services, cost of goods began to include distribution centre occupancy costs that were previously recorded within SG&A expenses.

Gross margin measures our gross profit as a percentage of sales.

Products purchased from our manufacturers are predominantly sourced in U.S. dollars which exposes our cost of goods sold to foreign currency fluctuations. The Company utilizes a hedging program to manage its foreign currency risk related to U.S. dollar inventory purchases. See "Financial Instruments".

Selling, General and Administrative Expenses

Selling expenses consist of costs to market and deliver our products, depreciation of store and eCommerce assets, non-cash fixed asset and ROU asset impairments, and costs incurred to support the relationships with our retail partners, wholesale distributors, and licensees.

General and administrative expenses represent costs incurred in our corporate offices, primarily related to personnel costs, including salaries, variable-incentive compensation, benefits, and share-based compensation, along with costs to design and develop products, information technology costs, and marketing costs. It also includes rent and depreciation and amortization expenses for all office support assets and intangible assets. Distribution centre occupancy costs, previously recognized in SG&A, will be recorded in cost of sales as a result of the transition to the third-party fulfillment by Metro Supply Chain.

SG&A expenses as a percentage of sales are usually higher in the lower-volume first and second quarters of a fiscal year, and lower in the higher-volume third and fourth quarters of a fiscal year because a substantial portion of these costs are relatively fixed.

Foreign exchange gains and losses, excluding changes in the fair value of foreign currency forward contracts ("**forward contracts**"), are recorded in SG&A expenses and comprise of translation of monetary assets and liabilities denominated in currencies other than the functional currency of the entity. See "Financial Instruments".

Revaluation gains and losses on cash-settled deferred share units ("**DSUs**") are recorded in SG&A expenses and are determined based on changes in the fair value of the DSUs, which are directly linked to the price of our Shares on the TSX.

Interest Expense

Interest expense relates to interest accrued on our lease liabilities and our Credit Facilities (as defined in "Indebtedness"). Interest accrued relating to our Credit Facilities is exposed to fluctuations in variable interest rates. From time to time, the Company utilizes a hedging program to manage its interest rate risk related to the underlying borrowing reference rate. See "Financial Instruments".

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income taxes expense or recovery is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. Over the long-term, we expect our annual effective income tax rate to be, on average, approximately 27% to 28%, subject to changes to income tax rates and legislation in the jurisdictions in which we operate.

RESULTS OF OPERATIONS

Analysis of Results for Q2 2026 as compared to Q2 2025 and YTD 2026 as compared to YTD 2025

The following section provides an overview of our financial performance during Q2 2026 compared to Q2 2025 and during YTD 2026 compared to YTD 2025.

Sales

The following table presents our sales by segment for each of the periods indicated:

CAD $000s	Q2 2026	Q2 2025	% Change	YTD 2026	YTD 2025	% Change
DTC	40,533	41,049	(1.3%)	76,298	75,657	0.8%
Partners and Other	9,011	9,720	(7.3%)	15,813	15,092	4.8%
Total Sales	**49,544**	**50,769**	**(2.4%)**	**92,111**	**90,749**	**1.5%**

Total sales were $49,544 in Q2 2026 as compared to $50,769 in Q2 2025, representing a decrease of $1,225, or 2.4%.

DTC sales decreased $516, or 1.3%, in Q2 2026 as compared to Q2 2025. This was primarily driven by the temporary closure of a flagship store location in Whistler, British Columbia, as part of a scheduled relocation. Excluding this temporary closure, DTC sales would have increased 0.3%. DTC sales were also impacted by temporary delays in the introduction of new seasonal products during the distribution centre transition (see “Key Business Developments”).

Sales in the Partners and Other segment decreased by $709, or 7.3%, in Q2 2026 as compared to Q2 2025. This was driven by lower wholesale sales to our international operating partner and timing-related shifts in licensing royalties from select manufacturing partners into the next quarter. The year-over-year variance was partially offset by continued positive momentum across our North American wholesale and custom products channels.

Total sales were $92,111 in YTD 2026 as compared to $90,749 in YTD 2025, representing an increase of $1,362, or 1.5%.

DTC sales increased by $641, or 0.8%, in YTD 2026 as compared to YTD 2025. The increase was driven by strong comparable sales growth in the first quarter of F2026 and early Q2 2026, achieved through positive traffic and curated product assortment, partially offset by the temporary closure of the flagship store location in Whistler, British Columbia and the impacts of the distribution centre transition during Q2 2026.

Sales in the Partners and Other segment increased by $721, or 4.8%, during YTD 2026 as compared to YTD 2025. The increase was driven by higher wholesale sales of Roots-branded products to select retail partners and higher sales of custom Roots-branded products to select business clients, partially offset by lower wholesale sales to our international operating partner.

Gross Profit

The following tables present our gross profit and gross margin by segment for each of the periods indicated:

CAD $000s	Q2 2026	Q2 2025	% Change	YTD 2026	YTD 2025	% Change
DTC	24,574	25,928	(5.2%)	46,492	47,713	(2.6%)
Partners and Other	4,288	4,900	(12.5%)	7,877	7,687	2.5%
Total Gross Profit	**28,862**	**30,828**	**(6.4%)**	**54,369**	**55,400**	**(1.9%)**

Gross Margin	Q2 2026	Q2 2025	YTD 2026	YTD 2025
DTC	60.6%	63.2%	60.9%	63.1%
Partners and Other	47.6%	50.4%	49.8%	50.9%
Total Gross Margin	**58.3%**	**60.7%**	**59.0%**	**61.0%**

Gross profit was $28,862 in Q2 2026, as compared to $30,828 in Q2 2025, representing a decrease of $1,966, or 6.4%.

Gross profit in the DTC segment decreased $1,354, or 5.2%, in Q2 2026 as compared to Q2 2025. This was driven by lower sales volumes and the impacts of the DC transition (see "Key Business Developments"). DTC gross margin was 60.6% in Q2 2026, as compared to 63.2% in Q2 2025, a decrease of 260 basis points ("**bps**"). Excluding all DC costs, DTC gross margin would have been 67.2%, as compared to 66.4% in Q2 2025.

Gross profit in the Partners and Other segment decreased by $612, or 12.5%, in Q2 2026 as compared to Q2 2025. This was driven by lower wholesale sales to our international operating partner and the timing shift of royalties recognized for the licensing of our brand to select manufacturing partners.

Gross profit was $54,369 during YTD 2026, as compared to $55,400 in YTD 2025, representing a decrease of $1,031, or 1.9%.

Gross profit in the DTC segment decreased $1,221, or 2.6%, in YTD 2026 as compared to YTD 2025. This was driven by lower sales volumes and the impacts of the DC transition (see "Key Business Developments"). DTC gross margin was 60.9% in YTD 2026, as compared to 63.1% in YTD 2025, a decrease of 220 bps. Excluding all DC costs, DTC gross margin would have been 66.3%, as compared to 66.6% in YTD 2025, which was primarily driven by the unfavourable foreign exchange impact on U.S. dollar purchases.

Gross profit in the Partners and Other segment increased by $190, or 2.5%, during YTD 2026 as compared to YTD 2025. The increase in gross profit within the Partners and Other segment was driven by higher wholesale sales of Roots-branded products to select retail partners and higher sales of custom Roots-branded products to select business clients, partially offset by lower wholesale sales to our international operating partner.

Selling, General and Administrative Expenses

SG&A expenses were $35,211 in Q2 2026, as compared to $34,732 in Q2 2025, representing an increase of $479, or 1.4%. The year-over-year change in SG&A expenses was driven by $1,372 of incremental costs related to the distribution centre transition (see "Key Business Developments"), the majority of which comprised of accelerated depreciation on existing assets, and $980 of incremental costs related to the strategic review (see “Subsequent Events”). Excluding these non-recurring costs, SG&A expenses decreased by 5.4%, driven by the management of corporate costs, lower variable selling costs, and impacts from cash settled instruments under our share-based compensation plan.

During YTD 2026, SG&A expenses were $72,507, as compared to $68,021 in YTD 2025, representing an increase of $4,486, or 6.6%. The increase in SG&A expenses was driven by $3,191 of incremental costs related to the distribution centre transition (see “Key Business Developments”), the majority of which comprised of accelerated depreciation on existing assets, and $1,531 of incremental costs related to the strategic review (see “Subsequent Events”). Excluding these non-recurring costs, SG&A expenses decreased by 0.3%, driven by lower marketing and other corporate costs, and the impacts from cash settled instruments under our share-based compensation plan, partially offset by higher personnel costs and store-related occupancy costs.

Interest Expense

Interest expense was $1,829 in Q2 2026, as compared to $1,993 in Q2 2025, representing a decrease of $164, or 8.2%. During YTD 2026, interest expense was $3,572, as compared to $4,008 during YTD 2025, representing a decrease of $436, or 10.9%.

The decrease in interest expense was primarily driven by reduced debt carried under the Credit Facilities (as defined in “Indebtedness”), during both Q2 2026 and YTD 2026, as compared to Q2 2025 and YTD 2025, respectively. The decrease in interest expense during both Q2 2026 and YTD 2026 was also driven by a decrease in the weighted average effective interest rate as compared to Q2 2025 and YTD 2025, respectively (see “Indebtedness”).

Income Taxes Recovery

Income taxes recovery was $(2,140) in Q2 2026, as compared to $(1,503) in Q2 2025, representing an increase of $637, or 42.4%. The effective tax recovery rate for Q2 2026 was 26.2% as compared to 25.5% in Q2 2025. The higher effective tax recovery rate was driven by lower non-deductible share-based compensation expenses.

Income taxes recovery was $(5,611) in YTD 2026, as compared to $(4,324) in YTD 2025, representing an increase of $1,287, or 29.8%. The effective tax recovery rate for YTD 2026 was 25.8% as compared to 26.0% in YTD 2025. The lower effective tax recovery rate was primarily attributable to taxes on share repurchases, partially offset by lower non-deductible share-based compensation expenses.

Net Loss

Net loss was $(6,038) in Q2 2026 as compared to $(4,394) in Q2 2025. During YTD 2026, net loss was $(16,099) as compared to $(12,305) in YTD 2025. Net loss for both Q2 2026 and YTD 2026 was driven by the factors described above.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes the results of our operations for the eight most recently completed fiscal quarters. This unaudited quarterly information has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

CAD $000s (except per share data) (Unaudited)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Sales	**49,544**	**42,567**	**115,463**	**71,467**	**50,769**	**39,980**	**110,808**	**66,905**
Net Income (Loss)[(1)]	**(6,038)**	**(10,061)**	**14,690**	**2,282**	**(4,394)**	**(7,911)**	**(21,702)**	**2,390**
Net Earnings (Loss) per share:								
Basic earnings (loss) per share	$ (0.15)	$ (0.26)	$ 0.37	$ 0.06	$ (0.11)	$ (0.20)	$ (0.54)	$ 0.06
Diluted earnings (loss) per share . . .	$ (0.15)	$ (0.26)	$ 0.37	$ 0.06	$ (0.11)	$ (0.20)	$ (0.54)	$ 0.06
Other Performance Measures								
Comparable Sales growth (decline)	(1.0%)	3.2%	7.3%	6.3%	17.8%	13.4%	7.5%	5.8%
Corporate retail stores, end of period	99	98	99	101	100	100	100	106
Temporary pop-up locations, end of period	10	11	11	11	11	8	8	9

Note:

(1) The $21,702 net loss in Q4 2024 was net of $36,750 of non-cash impairment charge on intangible assets. Excluding this charge, net income in Q4 2024 would have been $15,048.

See “Results of Operations” for discussion on Q2 2026 results.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Inventory

Inventory was $57,807 at the end of Q2 2026, compared to $49,901 at the end of Q2 2025, representing an increase of $7,906, or 15.8%.

The year-over-year increase in inventory was driven by higher in-transit inventory from earlier shipments of our upcoming holiday season. Excluding the higher in-transit inventory, inventory was down $429, or 1.0%.

Cash Flows

We principally use our funds for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our Credit Facilities, will be sufficient to meet our future operating expenses, capital expenditures and debt service requirements. In addition, these resources will enable us to comply with our financial covenants (see "Indebtedness"). We believe that our capital structure provides us with sufficient financial flexibility to pursue our future growth strategies. However, our ability to fund future operating expenses, capital expenditures and debt service requirements, and to comply with financial covenants, will depend on, among other things, our future operating performance, which will be affected by general economic conditions and other factors, including those beyond our control. See "Risks and Uncertainties", "Factors Affecting our Performance", and "Contractual Obligations and Off-Balance Sheet Arrangements" for additional information.

The following table presents our cash flows for each of the periods presented:

CAD$000s	Q2 2026	Q2 2025	YTD 2026	YTD 2025
Cash used in operating activities	(3,188)	(949)	(15,744)	(14,363)
Cash generated from (used in) financing activities	729	(4,645)	(4,864)	(17,280)
Cash used in investing activities	(2,258)	(1,499)	(4,090)	(3,557)
Change in cash during the period	**(4,717)**	**(7,093)**	**(24,698)**	**(35,200)**

Analysis of Cash Flows for Q2 2026 and YTD 2026 compared to Q2 2025 and YTD 2025

Cash used in Operating Activities

Cash used in operating activities totalled $3,188 in Q2 2026, compared to $949 in Q2 2025. The increase in cash used in operating activities was primarily attributable to earlier inventory in-bound shipments to support the upcoming selling seasons and non-recurring costs for the distribution centre transition and strategic process – see "Key Business Developments" for additional information.

Cash used in operating activities totalled $15,744 in YTD 2026, compared to $14,363 in YTD 2025. The increase in cash used in operating activities was primarily attributable to earlier inventory in-bound shipments to support upcoming selling seasons and non-recurring costs for the distribution centre transition and strategic process – see "Key Business Developments" for additional information. This was partially offset by timing of certain monthly occupancy cost payments.

Cash used in Financing Activities

Cash generated from financing activities totalled $729 in Q2 2026, compared to cash used of ($4,645) in Q2 2025. The increase in cash generated from financing activities was attributable to higher drawings on the Revolving Credit Facility (see "Indebtedness"), partially offset by higher payments against the Term Credit Facility and higher lease payments.

Cash used in financing activities totalled $4,864 in YTD 2026, compared to $17,280 in YTD 2025. The decrease in cash used in financing activities was primarily driven by lower payments against the Term Credit Facility and higher drawings on the Revolving Credit Facility (see "Indebtedness"). The decrease was also driven by the share repurchases under the normal course issuer bid ("**NCIB**") in YTD 2025, with no repurchases in YTD 2026, and timing of lease payments.

Cash used in Investing Activities

For Q2 2026 and YTD 2026, cash flows used in investing activities amounted to $2,258 and $4,090, respectively, compared to $1,499 and $3,557 in Q2 2025 and YTD 2025, respectively. The year-over-year increase in cash used in investing activities for both Q2 2026 and YTD 2026, as compared to Q2 2025 and YTD 2025, was driven by higher capital expenditures.

INDEBTEDNESS

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

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 are recognized as interest expense over the remaining term of the loan.

As at the end of Q2 2026, the Company had a total amount outstanding under its Credit Facilities of $38,001 (Q2 2025 – $40,898, end of F2025 – $33,523) and had total liquidity of $40,935 (Q2 2025 - $41,321, end of F2025 – $73,633), including net cash and borrowing capacity available under the Company's Revolving Credit Facility.

The Company has financial and non-financial covenants under the Credit Facilities. The key financial covenants include covenants for total net debt to Adjusted EBITDA ratio ("**Leverage Ratio**"), and fixed charge coverage ratio. Adjusted EBITDA used in the calculation of our key financial covenants may differ from the Adjusted EBITDA non-IFRS measure as defined in this MD&A. As at the end of Q2 2026, the Company was in compliance with all covenants.

Reconciliation of Leverage Ratio

CAD $000s	As at Q2 2026	As at Q2 2025	As at F2025
Long-term debt[1]	$ 37,562	$ 36,952	$ 32,884
Add: bank indebtedness	–	3,107	–
Less: cash	(3,935)	(1,928)	(28,633)
Net debt	**$ 33,627**	**$ 38,131**	**$ 4,251**
Trailing 12-month Adjusted EBITDA	23,553	23,159	23,326
Leverage ratio	**1.4x**	**1.6x**	**0.2x**

(1) Total long-term debt of $37,562 as at the end of Q2 2026 is net of $439 unamortized long-term debt financing costs. As at the end of Q2 2025, total long-term debt of $36,952 is net of $839 unamortized long-term debt financing costs. As at the end of F2025, total long-term debt of $32,884 is net of $639 unamortized long-term debt financing costs.

The Credit Facilities bear interest according to the type of borrowing advanced, which may be based on a reference rate of the U.S. base rate or the Canadian prime rate, plus a margin that ranges from 175 to 300 bps or the Canadian Overnight Repo Rate Average (**"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 U.S. base rate or a Canadian prime 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. During Q2 2026, the weighted average effective interest rate of the Credit Facilities was 5.7%, decreasing from 6.1% in Q2 2025 due to decreases in the underlying market interest rates.

The following table sets out the mandatory repayment of the Credit Facilities:

CAD $000s	Term Credit Facility	Revolving Credit Facility
Within 1 year	3,340	–
Between 1 - 2 years	26,661	8,000
Total	**30,001**	**8,000**

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as at the end of Q2 2026:

CAD$000s	Remainder of FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Thereafter	Total
Term Credit Facility[1]	1,670	28,331	–	–	–	–	30,001
Revolving Credit Facility	–	8,000	–	–	–	–	8,000
Interest commitments relating to long-term debt[2]	757	1,056	–	–	–	–	1,813
Payments on lease liabilities	11,234	18,950	14,331	8,955	6,873	24,188	84,531
Inventory purchase commitments[3]	37,420	–	–	–	–	–	37,420
Total commitments and obligations	**51,081**	**56,337**	**14,331**	**8,955**	**6,873**	**24,188**	**161,765**

Notes:

(1) The repayment of the Term Credit Facility may occur prior to the mandatory repayment time if certain events occur and/or at the discretion of the Company. On May 22, 2025, the Company amended its Credit Agreement, primarily to extend the current maturity date of September 6, 2026 to September 6, 2027.

(2) Based on the interest rate in effect as at the end of Q2 2026, and assuming no prepayments are made to the Term Credit Facility.

(3) Inventory purchase commitments reflect the cost (excluding duties and shipping) of outstanding inventory purchases ordered from our vendors and expected to be received within the period, excluding in-transit purchases that have already been recognized. Inventory purchases are part of the normal course of our business and will be primarily funded through sales in our DTC segment.

Due to the seasonal fluctuations of our retail business (see “Factors Affecting our Performance – Seasonality”), our net debt position may be higher during the first three fiscal quarters when working capital requirements peak and will generally decrease in the fourth fiscal quarter. Historically, contractual obligations and commitments during the first three fiscal quarters were funded primarily through cash, draws on our Revolving Credit Facility (see “Indebtedness”), and, to a lesser extent, sales generated from our operations and our management of working capital. In the fourth fiscal quarter, we have historically generated positive cash flow from operations to fund our remaining contractual obligations and commitments, and we would make repayments against draws on our Revolving Credit Facility made during the first three fiscal quarters.

We will continue to fund our upcoming commitments and obligations using our Revolving Credit Facility, and cash flow from operations. We believe that we will continue to generate sufficient cash flow from operations over the course of a fiscal year to fund our contractual obligations and commitments and the cost of our growth and development activities incurred during such fiscal year.

FINANCIAL INSTRUMENTS

We have designated derivative financial instruments as cash flow hedges to manage our exposure to foreign exchange on a portion of our U.S. dollar denominated purchases. At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy in undertaking the hedge transaction. At inception and at the end of each fiscal quarter-end thereafter, the Company formally assesses the effectiveness of the cash flow hedges.

To the extent the hedging relationship is assessed as effective, the change in the fair value of the derivative financial instruments, net of taxes, is recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss). Any ineffective portion of changes in the fair value of the derivative financial instruments is recognized immediately in profit or loss.

The fair value of forward contracts is determined using a valuation technique that employs the use of market observable inputs and is 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.

As at the end of Q2 2026, the Company has recorded derivative assets (liabilities) of $646 (Q2 2025 – ($271), F2025 – ($1,458)), representing forward contracts to hedge its exposure to a portion of purchases denominated in U.S. dollars. As at the end of Q2 2026, the Company had outstanding forward contracts to buy US$35,950 (Q2 2025 – US$36,230, F2025 – US$41,100) of U.S. dollars at an average rate of 1.38 (Q2 2025 – 1.38, F2025 – 1.38). As at the end of Q2 2026, the U.S. dollar to Canadian dollar exchange rate was 1.40 (Q2 2025 – 1.38, F2025 – 1.36). The forward contracts have maturity dates between August 4, 2026 and July 6, 2027.

All other financial assets and financial liabilities are measured at amortized cost using the effective interest method, except for cash which is measured at fair value through profit and loss.

SHARE INFORMATION

As at September 10, 2026, there were 39,197,165 Shares issued and outstanding (June 11, 2026 – 39,196,165). There were no preferred shares issued and outstanding as at September 10, 2026.

During YTD 2026:

- 31,402 DSUs were granted;
- 3,333 RSUs and 4,000 stock options were forfeited; and
- 1,000 stock options were exercised.

During Q2 2026, the Company recorded share-based compensation expenses of $75 (Q2 2025 – $203). During YTD 2026, the Company recorded share-based compensation expenses of $239 (YTD 2025 - $278).

As at the end of Q2 2026, 1,723,366 stock options, 100,000 Warrants, and 477,917 RSUs were granted and outstanding, and 1,647,699 stock options, 100,000 Warrants, and 167,084 RSUs were vested. Each stock option, Warrant, and RSU is, or will become, exercisable for one Share.

As at the end of Q2 2026, 817,718 DSUs were outstanding under the Company's deferred share unit plan. No Shares will be issued upon the settlement of DSUs.

During Q2 2026, the Company recorded $435 as a decrease to SG&A expenses as a result of the changes in the fair value of the DSUs (Q2 2025 – $351 increase). During YTD 2026, the Company recorded $225 as an increase to SG&A expenses as a result of changes in the fair value of the DSUs (YTD 2025 – $858 increase).

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 own approximately 52.4% of the total issued and outstanding Shares. Shareholders of a company formerly known as Roots Canada Ltd., through founders Michael Budman and Don Green's wholly-owned entities (the "**Founders**"), continue to own a minority interest of the total issued and outstanding Shares.

The Company leases a building for its leather factory from a company that is under common control of the Founders. For Q2 2026 and YTD 2026, the rent expense that relates to the lease of this property was $206 and $394, respectively (Q2 2025 and YTD 2025 - $188 and $376, respectively).

RISKS AND UNCERTAINTIES

For a detailed description of risk factors relating to the Company, please refer to the "Risk Factors" section of our AIF, which is available on SEDAR+ at www.sedarplus.ca.

We are exposed to a variety of financial risks in the normal course of our business, including foreign currency exchange, interest rate, credit and liquidity risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Financial risk management is carried out under practices approved by our Board. This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. Our Board provides guidance for overall risk management, covering many areas of risk including foreign currency exchange risk, interest rate risk, credit risk, and liquidity risk.

Foreign Currency Exchange Risk

Our consolidated financial statements are expressed in Canadian dollars. However, a portion of our operations are transacted in U.S. dollars and we are exposed to foreign exchange risk on financial assets and liabilities denominated in foreign currencies. Sales and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates which such items are recognized. Changes in the value of foreign currencies relative to the Canadian dollar in respect of sales and costs would result in a foreign currency gain or loss impact in net loss. A five percent change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed pre-tax net loss for Q2 2026 and YTD 2026 by $514, as a result of the period-end revaluation of financial assets and liabilities. For Q2 2026, the Company recorded a reduction of $191 (Q2 2025 – $26) to SG&A expenses as a result of the revaluation of these financial assets and liabilities denominated in foreign currency. For YTD 2026, the Company recorded a reduction of $231 (YTD 2025 - $462 increase) to SG&A expenses as a result of the revaluation of these financial assets and liabilities denominated in foreign currency.

We are also exposed to fluctuations in the prices of U.S. dollar denominated purchases resulting from changes in U.S. dollar exchange rates. A weakening Canadian dollar relative to the U.S. dollar would have a negative impact on year-over-year changes in reported net income (loss) by increasing the cost of finished goods and raw materials while a strengthening Canadian dollar relative to the U.S. dollar would have the opposite impact. As described above, we entered into certain foreign currency forward contracts that are designated as cash flow hedges. A five percent change in the Canadian dollar against the U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income (loss) for Q2 2026 by $2,493 (Q2 2025 – $2,469), as a result of the revaluation of the Company's forward contracts.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value risk. As at the end of Q2 2026, we have only variable interest rate debt.

Based on the outstanding borrowings as discussed under "Indebtedness", a one-percentage point change in the average interest rate on our borrowings would have changed interest expense by $85 in Q2 2026 (Q2 2025 – $93). The impact of future interest rate expense resulting from changes in interest rates will depend largely on the gross amount of our borrowings at such time.

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 accounts receivable. The Company's accounts receivable consist primarily of receivables from our business partners in the Partners and Other segment, which are with long-standing partners and/or are generally settled in the following fiscal quarter.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales, income and working capital needs. The Revolving Credit Facility is also used to maintain liquidity, allowing the Company to access funds for operations. Continued compliance with the covenants under the Credit Facilities is dependent on the Company achieving certain financial results. Market conditions are difficult to predict and there is no guarantee that the Company will achieve certain results. 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 Company will continue to carefully monitor its compliance with its covenants and seek waivers if such need arises.

Possible Failure to Complete the Arrangement

The Company expects to complete the Arrangement in the fourth quarter of F2026, subject to satisfaction of certain closing conditions including receipt of shareholder, court and regulatory approvals. The Company, however, has no control over whether or not all of the conditions to closing will be met and there can be no assurance that all conditions will be satisfied or waived or that the Arrangement will be consummated on the specified timeframe or at all.

If the Arrangement does not take place as contemplated, the Company will not realize the benefits of the Arrangement and could suffer adverse consequences. The price of the Shares may decline to the extent that the relevant current market price reflects a market assumption that the Arrangement will be completed, and certain costs related to the Arrangement, such as legal, accounting and consulting fees, must be paid even if the Arrangement is not completed.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. These controls and procedures are designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the CEO and CFO, as appropriate to allow timely decisions regarding public disclosure.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal controls over financial reporting for the Company.

CHANGES IN DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our disclosure controls and internal controls over financial reporting in Q2 2026 that materially affected, or are likely to materially affect, the reliability of our financial reporting and preparation of our financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgments as disclosed in the Company's F2025 MD&A have been applied consistently in the preparation of this MD&A.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial* Statements (**"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 assessing the impact of the new standard on the consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the AIF, is available on SEDAR+ at www.sedarplus.ca. The Company's Shares are listed for trading on the TSX under the symbol "ROOT".

SUBSEQUENT EVENTS

On August 20, 2026, the Company entered into an arrangement agreement whereby Marquee Brands, through its operating partner JM&A Design and Development Inc., would acquire all of the Company's issued and outstanding Shares at a price of $4.10 per share in cash (the "Arrangement"), implying an equity value of approximately $161 million. The Arrangement is expected to close in the fourth quarter of F2026, subject to shareholder, court and regulatory approvals. In connection with completion of the Arrangement, it is expected that the Shares will be delisted from the TSX and the Company will cease to be a reporting issuer in all applicable Canadian jurisdictions shortly thereafter. For additional details regarding the Arrangement, refer to the Company's news release dated August 20, 2026 available on SEDAR+ at www.sedarplus.ca.