

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See “Plan of Distribution”.

PRELIMINARY PROSPECTUS

Initial Public Offering
by way of Secondary Offering

September 13, 2017



Roots

Roots Corporation

\$ •

● **Common Shares**

This prospectus qualifies the distribution (the “**Offering**”) of an aggregate of ● common shares (the “**Shares**”) of Roots Corporation (the “**Company**”, “**Roots**”, “**us**” or “**we**”) by Searchlight Capital II PV, L.P., SC II TMK, L.P. and Searchlight TMK Co-Invest Partners, L.P. (the “**Searchlight Selling Shareholders**”), investment funds managed by Searchlight Capital Partners, L.P. (“**Searchlight**”), and Don Michael Investments Inc. (the “**Founders Selling Shareholder**”), an entity indirectly controlled by our founders, Michael Budman and Don Green (the “**Founders**”) and certain of their family members, at a price of \$ ● per Share (the “**Offering Price**”). It is anticipated that the Offering Price will be between \$ ● and \$ ● per Share. **We will not receive any proceeds from the Offering.** See “Principal and Selling Shareholders” and “Proceeds to the Selling Shareholders”. The Searchlight Selling Shareholders and the Founders Selling Shareholder are referred to collectively in this prospectus as the “**Selling Shareholders**”.

Established in 1973 by Michael Budman and Don Green, Roots has become an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear. While our original inspiration was the great Canadian outdoors, today we are an inclusive lifestyle brand for those who want to enjoy the moment and embrace the spirit of the open air. Our products are worn by a broad cross-section of global consumers, including young professionals, students, families, athletes and entertainment icons. For nearly five decades, people have been drawn to the timeless style, comfort, functionality and versatility of our products and the stories and experiences that have shaped our brand. Canada will always be at the heart and soul of our business, but our guiding principles and premium products that this country has inspired transcend borders.

Our design and product development are driven by global consumer insights and supported by our heritage, our flexible sourcing network, our proven distribution footprint, and our Canadian leather manufacturing facility. We deliver products to our customers through our store network, online platform and international partnerships. As of July 29, 2017, our integrated omni-channel footprint included 116 corporate retail stores in Canada, 4 corporate retail stores in the United States, 109 partner-operated stores in Taiwan, 27 partner-operated stores in China and a global e-commerce platform that shipped to 54 countries during our most recently completed fiscal year. See “Our Business”.

Open Air

Inclusive lifestyle brand capturing
the spirit of the open air



Style

Defining Canadian style and successfully exporting our heritage globally



Quality

Always at the forefront of
everything we do



Experience

Brand discovery through a
connective omni-channel footprint



Upon completion of the Offering, the Searchlight Selling Shareholders will own or control approximately ● % of our issued and outstanding Shares (approximately ● % if the Over-Allotment Option (as defined herein) is exercised in full) and the Founders Selling Shareholder will, collectively, own or control approximately ● % of our issued and outstanding Shares (approximately ● % if the Over-Allotment Option is exercised in full). As a result, Searchlight will have significant influence over Roots. See “Principal and Selling Shareholders”. In addition, the Selling Shareholders will be party to the Investor Rights Agreement (as defined herein) that, among other things, gives them the right to nominate directors to our board of directors (the “**Board**”). See “Principal and Selling Shareholders”, “Agreements with Principal Shareholders” and “Risk Factors”. All of the Shares held upon completion of the Offering by the Searchlight Selling Shareholders, the Founders Selling Shareholder and our directors and executive officers will be subject to contractual lock-up agreements with the Underwriters (as defined herein). See “Plan of Distribution – Lock-Up Arrangements”.

We have applied for listing of the Shares on the Toronto Stock Exchange (“**TSX**”) under the symbol “**ROOT**”. Listing is subject to approval by the TSX of our listing application and the fulfillment by us of all of the initial listing requirements and conditions of the TSX. The TSX has not conditionally approved the listing of the Shares on the TSX and there is no assurance that the TSX will approve our listing application. See “Plan of Distribution”.

There is currently no market through which the Shares may be sold and purchasers may not be able to resell the Shares purchased under this prospectus. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares, and the extent of issuer regulation. An investment in the Shares is subject to a number of risks that should be considered by a prospective purchaser. Prospective purchasers should carefully consider the risk factors described under “Risk Factors” before purchasing Shares. Closing (as defined herein) is conditional on the Shares being approved for listing on the TSX.

Price: \$ ● per Share

	Price to the Public ⁽¹⁾	Underwriters’ Fee	Net Proceeds to the Selling Shareholders ⁽²⁾
Per Share	\$ ●	\$ ●	\$ ●
Total Offering ⁽³⁾	\$ ●	\$ ●	\$ ●

Notes:

- (1) The Offering Price has been determined by negotiation between the Selling Shareholders and the Underwriters.
- (2) The Selling Shareholders will pay the Underwriters’ fee in respect of the Shares sold by each of them. None of the other expenses of the Offering will be borne by the Selling Shareholders. It is estimated that the total expenses of the Offering, not including the Underwriters’ fee, will be approximately \$ ● . All such expenses will be paid by us pursuant to the terms of the unanimous shareholder agreement among us and certain of our shareholders dated December 1, 2015 (the “**Unanimous Shareholder Agreement**”), which agreement will be terminated immediately prior to Closing of the Offering. We have also agreed to reimburse the Underwriters for their reasonable expenses in connection with the Offering. See “Plan of Distribution” and “Principal and Selling Shareholders”.
- (3) The Selling Shareholders have granted the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part, at any one time for a period of 30 days after the Closing Date (as defined herein), to purchase from the Selling Shareholders, on a pro rata basis, up to an additional ● Shares (representing approximately 15% of the number of Shares issued under the Offering) on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to the Selling Shareholders” will be \$ ● , \$ ● and \$ ● , respectively. This prospectus also qualifies the grant of the Over-Allotment Option and distribution of the Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Shares forming part of the Underwriters’ over-allocation position acquires such Shares under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Principal and Selling Shareholders” and “Plan of Distribution”.

The following table sets out the number of Shares that may be sold by the Selling Shareholders to the Underwriters pursuant to the Over-Allotment Option:

Underwriters’ Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	● Shares	For a period of 30 days after the Closing Date	\$ ● per Share

TD Securities Inc. (“**TD**”), Credit Suisse Securities (Canada), Inc. (“**Credit Suisse**”) and BMO Nesbitt Burns Inc. (“**BMO Capital Markets**”) and, together with TD and Credit Suisse, the “**Joint Active Bookrunners**”) and Jefferies Securities, Inc., RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Canaccord Genuity Corp. and National Bank Financial Inc. (together with the Joint Active Bookrunners, the “**Underwriters**”), as principals, conditionally offer the Shares qualified under this prospectus, subject to prior sale, if, as and when sold and delivered by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) among us, the Selling Shareholders and the Underwriters referred to under “Plan of Distribution” and subject to the approval of certain legal matters on our behalf by Torys LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

In connection with the Offering, the Underwriters have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Shares at a price lower than that stated above. See “Plan of Distribution”.**

TD and Scotia Capital Inc. are affiliates of Canadian chartered banks that are lenders to Roots under the Credit Facilities (as defined herein). Consequently, we, and the Selling Shareholders, as significant security holders of the Company, may be considered a “connected issuer” of each of TD and Scotia Capital Inc. under applicable Canadian securities legislation. See “Description of Material Indebtedness” and “Plan of Distribution – Relationship Between Us, the Selling Shareholders and Certain of the Underwriters”.

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The closing of the Offering (the “**Closing**”) is expected to occur on or about ● , 2017 or such other date as we, the Selling Shareholders and the Underwriters may agree, but in any event no later than ● , 2017 (the “**Closing Date**”). The Shares will be deposited with CDS Clearing and Depository Services Inc. (“**CDS**”) in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Shares will receive only a customer confirmation from the registered dealer from or through which the Shares are purchased. See “Plan of Distribution – Non-Certificated Inventory System”.

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ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. Neither we, the Selling Shareholders nor any of the Underwriters have authorized anyone to provide investors with additional or different information. The information contained on www.roots.com or any of our other controlled or affiliated websites is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Shares. Any graphs, tables or other information demonstrating our historical performance or of any other entity contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of our or such entities' future performance. The information contained in this prospectus is accurate only as of the date of this prospectus or the date otherwise indicated, regardless of the time of delivery of this prospectus or of any sale of the Shares. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

The Selling Shareholders and the Underwriters are not offering to sell the Shares in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, neither we, the Selling Shareholders nor any of the Underwriters has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this prospectus.

MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise requires: (i) information contained in this prospectus (a) gives effect to the Pre-Closing Capital Changes as described under "Description of Share Capital – Pre-Closing Capital Changes", (b) assumes that the Over-Allotment Option has not been exercised, and (c) assumes an Offering Price of \$ ● per Share, the midpoint of the estimated price range set forth on the cover page of this prospectus; and (ii) all references in this prospectus to the "Company", "Roots", "we", "us" or "our" refer to Roots Corporation together with our subsidiaries, on a consolidated basis, as constituted on the Closing Date after giving effect to the Pre-Closing Capital Changes as described under "Description of Share Capital – Pre-Closing Capital Changes".

"**CAGR**" refers to compound annual growth rate.

"**Fiscal 2014**" refers to the 52-week period ended January 31, 2015 of Roots Canada Ltd.

"**Fiscal 2015**" refers to the combined Successor 2015 Period and Predecessor 2015 Period, after pro forma adjustments, as further described below.

"**Fiscal 2016**" refers to the 52-week period ended January 28, 2017.

"**Fiscal 2017**" refers to the 53-week period ending February 3, 2018.

"**Fiscal 2018**" refers to the 52-week period ending February 2, 2019.

"**Fiscal 2019**" refers to the 52-week period ending January 25, 2020.

"**LTM**" refers to the 52-week period ended July 29, 2017.

"**Q2 2016**" refers to the 13-week period ended July 30, 2016.

"**Q2 2017**" refers to the 13-week period ended July 29, 2017.

On October 14, 2015, Searchlight Capital II PV, L.P. incorporated Roots Corporation under the laws of Canada and a subsidiary, Roots USA Corporation, under the laws of the State of Delaware. Pursuant to a purchase and sale agreement dated October 21, 2015, Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd., Roots U.S.A., Inc., Roots America L.P. and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015 (the "**Acquisition**"). Accordingly, the financial information presented elsewhere in this prospectus for Fiscal 2015 reflects the

periods both prior to and subsequent to the Acquisition, with the periods prior to the Acquisition being labeled as “predecessor” and the periods subsequent to the Acquisition labeled as “successor”. The consolidated financial statements for Fiscal 2015 are presented separately for (i) the predecessor period from February 1, 2015 through November 30, 2015, which we refer to as the “**Predecessor 2015 Period**”, and (ii) the successor period from October 14, 2015 (date of incorporation) through January 30, 2016, which we refer to as the “**Successor 2015 Period**”. Roots Corporation had no financial activity prior to December 1, 2015 (the date of the Acquisition) and the financial information presented in respect of periods prior to December 1, 2015 reflects the operations under the ownership structure of the entity formerly named “Roots Canada Ltd.”. For the purpose of providing comparable information, we have prepared unaudited pro forma combined supplemental financial information for the combined Successor 2015 Period and Predecessor 2015 Period, both of which include pro forma adjustments and which we refer to as “**Fiscal 2015**”. The combined Successor 2015 Period and Predecessor 2015 Period, excluding the effect of such pro forma adjustments, are referred to in this prospectus as the “**Unaudited Combined 2015 Period**”. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation”.

We present our financial statements in Canadian dollars and disclose certain financial information in this prospectus in Canadian dollars. In this prospectus, references to “\$”, “CAD\$” or “dollars” are to Canadian dollars and references to “U.S.\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this prospectus may not reconcile due to rounding.

EXCHANGE RATE DATA

The following table sets forth, for the periods indicated, the high, low, average and period end spot rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada.

	52-Week Period Ended			26-Week Period Ended	
	January 28, 2017	January 30, 2016	January 31, 2015	July 29, 2017	July 30, 2016
High	\$1.4040	\$1.4589	\$1.2717	\$1.3743	\$1.4040
Low	\$1.2544	\$1.1951	\$1.0634	\$1.2447	\$1.2544
Average	\$1.3166	\$1.2959	\$1.1144	\$1.3271	\$1.3116
Period End	\$1.3108	\$1.4080	\$1.2717	\$1.2447	\$1.3041

On September 12, 2017, the rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was U.S.\$1.00 = \$1.2159. We make no representation that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

NON-IFRS MEASURES INCLUDING RETAIL INDUSTRY METRICS

This prospectus makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from our management’s perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income (Loss)” and “Pro Forma Adjusted Net Income (Loss)”. This prospectus also makes reference to “comparable sales growth”, “e-commerce penetration” and “system-wide sales”, which are commonly used operating metrics in the retail industry but may be calculated differently by other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core

business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. Our management also uses non-IFRS measures including retail industry metrics to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

“EBITDA” is defined as net income (loss) before depreciation and amortization, interest expenses and income taxes.

“Adjusted EBITDA” is defined as EBITDA, adjusted for the impact of certain items, including non-cash items such as share-based compensation and other items we consider non-recurring or not representative of our ongoing operating performance.

“Adjusted Net Income (Loss)” is defined as net income (loss) adjusted for the impact of certain items, including non-cash items such as share-based compensation and other items we consider non-recurring or not representative of our ongoing operating performance, net of related tax effects.

“comparable sales growth” is a retail industry metric used to compare the percentage change in sales derived from mature stores and e-commerce, in a certain period, compared to the sales from the same stores and e-commerce, in the same period of the prior year. We believe comparable sales growth helps explain our sales growth in established stores and e-commerce, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. Comparable sales growth is calculated based on sales (net of a provision for returns) from stores that have been opened for at least 52 weeks in our direct-to-consumer (**“DTC”**) operating segment, including e-commerce sales (net of a provision for returns) in our DTC operating segment, and excludes sales from stores that were undergoing renovation. Comparable sales growth also excludes the impact of foreign currency fluctuations as it is calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1 in all reporting periods. Our comparable sales growth may be calculated differently compared to other companies.

“e-commerce penetration” is a retail industry metric used to compare the percentage of sales generated from e-commerce, in a certain period, in relation to sales from our entire DTC operating segment during the same period. We believe e-commerce penetration helps explain our sales growth derived specifically through e-commerce sales, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. We calculate e-commerce penetration by dividing e-commerce sales by our sales in the entire DTC operating segment.

“Pro Forma Adjusted Net Income (Loss)” is defined as Adjusted Net Income (Loss), further adjusted in financial periods prior to the Acquisition to include the additional interest expense, and resultant tax effect, that was incurred in Fiscal 2016 as a result of entering into the Credit Facilities in connection with the Acquisition. The pro forma interest expense adjustment is intended to improve the net earnings (loss) comparability between financial periods, as if the same capital structure was present throughout all comparable periods.

“system-wide sales” is a retail industry metric that is calculated as the sum of total sales generated on the sale of Roots-branded products to end-consumers at retail value, directly through our DTC operating segment and through the subsequent sale of Roots-branded products to end-consumers by our international partners, licensees, and wholesale customers in our Partners and Other operating segment. U.S. dollar denominated sales are converted to Canadian dollars using the Bank of Canada average exchange rate for the applicable time period.

See “Selected Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

FORWARD-LOOKING INFORMATION

This prospectus contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and 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, dividend policy, 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”, “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.

Discussions containing forward-looking information may be found, among other places, under “Prospectus Summary”, “Summary of the Offering”, “Our Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Proceeds to the Selling Shareholders”, “Description of Share Capital”, “Dividend Policy”, “Principal and Selling Shareholders”, “Agreements with Principal Shareholders”, “Consolidated Capitalization”, “Options to Purchase Shares”, “Directors and Executive Officers”, “Executive Compensation”, “Director Compensation” and “Risk Factors”.

Forward-looking information in this prospectus includes, among other things, statements relating to:

- the Offering Price, the completion, size, expenses and timing of Closing;
- the execution of agreements entered into in connection with the Offering by the Selling Shareholders and other parties;
- expectations regarding our growth rates and growth plans and strategies;
- expectations regarding our sales, expenses, EBITDA, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration, capital expenditures, operations, net leverage ratio, and use of future cash flow;
- our business plans and strategies;
- expectations regarding geographic expansions and international partnerships;
- expectations regarding new store openings and the renovation and expansion of existing stores;
- expectations regarding the composition of our product offering;
- our competitive position in our industry;
- the Pre-Closing Capital Changes;
- expectations regarding future director and executive compensation levels and plans;
- the market price for the Shares;
- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution and sale of our products; and
- intentions with respect to the implementation of new accounting standards.

In addition, our assessments of, and targets for, annual sales, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration and certain other measures by the end of Fiscal 2019 are considered forward-looking information. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the expansion and enhancement of our corporate retail and partner-operated store networks; our ability to drive comparable sales growth and growth in Adjusted EBITDA and Adjusted Net Income; our ability to maintain, enhance, and grow our appeal within our addressable market; our ability to drive ongoing development and innovation of our brand and product categories; our ability to continue directly sourcing from our existing suppliers and manufacturers; our ability to expand our international presence; our ability to retain key personnel; our ability to maintain and expand distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors underlying forward-looking information and management's expectations.

The forward-looking information in this prospectus is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements were made. It is also subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including the following risk factors described in greater detail under the heading "Risk Factors":

- changes in the general economic conditions and consumer spending in the regions in which we operate;
- inability to protect and enhance our brand;
- inability to anticipate and respond to constantly changing consumer demands and fashion trends;
- our highly competitive industry and the size and resources of some of our competitors;
- fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies and associated hedging risk;
- risks associated with leasing retail space;
- inability to successfully open and operate new stores in Canada and the United States;
- failure to reduce operating expenses in a timely manner;
- lower profitability due to increasing product costs and decreasing selling prices;
- inability to obtain merchandise on a timely basis at competitive costs from our suppliers;
- actions taken by our suppliers and manufacturers or activists and protestors;
- slower profitability of new stores;
- dependence on international operating partners;
- failure to identify, recruit and contract with qualified international operating partners;
- lower customer awareness of our brand in new target markets and our unfamiliarity with such markets;
- geopolitical risks and challenges of operating in new markets;
- inability to successfully manage and grow our e-commerce business;
- our need for significant capital to fund our expanding business;
- material disruptions in or security breach affecting our information technology systems and e-commerce business;

- risks associated with industry consolidation;
- loss of members of our management team or other key personnel or an inability to attract new management team members or key personnel;
- disruptions to the operations at our head office location;
- inability to attract new customers;
- failure to adequately connect with our customer base;
- dependence on a limited number of distribution facilities;
- seasonality of sales and inventory purchases;
- inability to protect trademarks or other intellectual property rights and the potential infringement of trademarks or other intellectual property rights of third parties;
- inability to attract, motivate and retain quality sales staff;
- reliance on third party transportation providers;
- risks associated with upgrading or replacing of core information technology systems;
- union attempts to organize our employees and increased labour costs;
- inability to grow sales or meet other financial targets;
- laws and regulations, including labour and employment, consumer protection, advertising, environmental, customs, taxes and other laws that regulate retailers;
- additional taxes, which could affect our operating results;
- insurance-related risks;
- payment-related risks;
- risks related to forward-looking information contained in this prospectus;
- risks related to natural disasters and unusual weather;
- claims made against us, which may result in litigation;
- insolvency risks with parties with whom we do business;
- changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters;
- financing restrictions on current and future operations;
- increased expenses as a result of being a public company;
- inability to manage our operations at our current size and successful execution of our growth strategies;
- bankruptcies of other retailers and licensees;
- volatility in the market price for Shares;
- significant influence of Searchlight following completion of the Offering;
- future sales of our securities by existing Shareholders (as defined herein) causing the market price for Shares to decline;
- an active, liquid and orderly trading market for Shares failing to develop;
- no cash dividends for the foreseeable future;
- risks related to changes in tax laws;
- any issuance of preferred shares may hinder another person's ability to acquire us; and

- our trading price and volume could decline if analysts do not publish research or publish inaccurate or unfavourable research about us or our business.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in “Risk Factors” should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results or future events to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only to opinions, estimates and assumptions as of the date made. The forward-looking information contained in this prospectus represents our expectations as of the date of this prospectus (or as of the date they are otherwise stated to be made), and are subject to change after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All of the forward-looking information contained in this prospectus is expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Shares.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this prospectus was obtained from third party sources, industry reports and publications, websites and other publicly available information, including Canadian Business, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the North American and international retail markets and economies (including our opinions, estimates and assumptions relating to the North American and international retail markets and economies based on that knowledge). Certain statistical information and market research contained in this prospectus, such as the results of consumer and brand awareness surveys, are based on surveys or consumer studies conducted by independent third parties at our request, for which we pay customary fees. We believe that the market and economic data presented throughout this prospectus is accurate and, with respect to data prepared by us or on our behalf, that our opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this prospectus are not guaranteed and neither we, the Selling Shareholders nor any of the Underwriters makes any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, neither we, the Selling Shareholders nor any of the Underwriters have independently verified any of the data from third party sources referred to in this prospectus, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

TRADEMARKS AND TRADE NAMES

This prospectus includes certain trademarks which are protected under applicable intellectual property laws and are our property. See “Our Business – Intellectual Property”. Solely for convenience, our trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

PROSPECTUS SUMMARY

This summary highlights principal features of the Offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Shares. You should read this entire prospectus carefully, especially the "Risk Factors" section of this prospectus and our consolidated financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. Capitalized terms used but not defined in this prospectus summary are defined elsewhere in this prospectus.

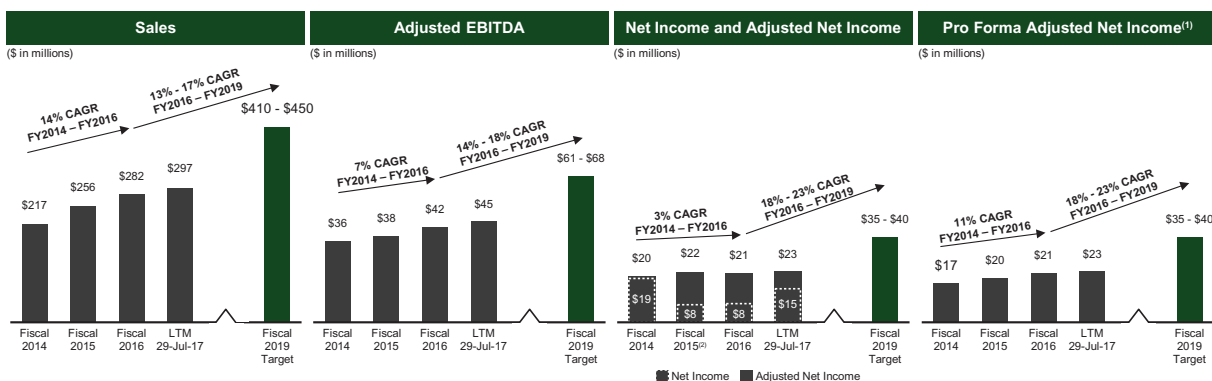
Our Story

Established in 1973, the Roots brand has stood the test of time. Inspired by the rugged beauty of Algonquin Park, our founders, Michael Budman and Don Green, set out to create a brand that captures the essence of the Canadian outdoors. From our first store in Toronto and the launch of our negative heel shoe, we have become an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear. While the world around us has changed, we have stayed true to the guiding principles of our brand. We believe that our uniquely Canadian self-confidence, authenticity, quality and unwavering integrity are more relevant today than ever before.

While our original inspiration was the great Canadian outdoors, today we are an inclusive lifestyle brand for those who want to enjoy the moment and embrace the spirit of the open air. Our products are worn by a broad cross-section of global consumers, including young professionals, students, families, athletes and entertainment icons. For nearly five decades, people have been drawn to the timeless style, comfort, functionality and versatility of our products and the stories and experiences that have shaped our brand. Canada will always be at the heart and soul of our business, but our guiding principles and premium products that this country has inspired transcend borders.

Our design and product development are driven by global consumer insights and supported by our heritage, our flexible sourcing network, our proven distribution footprint, and our Canadian leather manufacturing facility. We deliver products to our customers through our store network, online platform and international partnerships. As of July 29, 2017, our integrated omni-channel footprint included 116 corporate retail stores in Canada, 4 corporate retail stores in the United States, 109 partner-operated stores in Taiwan, 27 partner-operated stores in China and a global e-commerce platform that shipped to 54 countries during our most recently completed fiscal year.

The power of our brand and business model is reflected in our strong operational and financial performance. In Fiscal 2016, we generated sales of approximately \$282 million, which have grown at a CAGR of approximately 14% from Fiscal 2014 to Fiscal 2016. In Fiscal 2016, we achieved comparable sales growth of 8.3% over the previous fiscal year, recognized net income of approximately \$8 million, Adjusted Net Income of approximately \$21 million, and Adjusted EBITDA of approximately \$42 million. A summary of our sales, Adjusted EBITDA, net income, Adjusted Net Income and Pro Forma Adjusted Net Income for Fiscal 2014, Fiscal 2015, Fiscal 2016, LTM, and targets for Fiscal 2019 is set out below.



Notes:

- (1) Pro Forma Adjusted Net Income figures presented in this chart represents Adjusted Net Income, further adjusted in financial periods prior to the Acquisition to include the additional interest expense, and resultant tax effect, that was incurred in Fiscal 2016 as a result of entering into the Credit Facilities in connection with the Acquisition. The pro forma interest expense adjustment is intended to improve the net earnings comparability between financial periods, as if the same capital structure was present throughout all comparable periods.
- (2) Net Income in Fiscal 2015 refers to net income of the Company in respect of the Unaudited Combined Fiscal 2015 Period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation".

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook" for additional information concerning our strategies, assumptions and market outlook in relation to our assessments of, and targets for, sales, Adjusted EBITDA and Adjusted Net Income. For additional information regarding Adjusted EBITDA, Adjusted Net Income and Pro Forma Adjusted Net Income, which are non-IFRS measures, see "Non-IFRS Measures Including Retail Industry Metrics". For a reconciliation of all non-IFRS measures used in this prospectus to net income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)".

Our Competitive Strengths

We view our heritage and our guiding principles as the foundation of our business. Our brand is supported by first-rate operations and is well-diversified across product categories, seasons, channels and geographies. We believe the following strengths differentiate us within our industry and serve as the central pillars of our sustained success.

- **Iconic Canadian brand with rich heritage.** Through an unwavering commitment to our guiding principles and a lasting affinity for our products, we have helped define Canadian style for nearly five decades, while successfully exporting our heritage globally. Roots has achieved 99% aided brand awareness in our home market primarily through word-of-mouth marketing and decades of unpaid celebrity and professional athlete affirmation. As a result, Roots has been named as one of the top 10 brands in Canada by Canadian Business in 2016 and 2017 and is the only lifestyle apparel brand to receive this distinction. While Roots is synonymous with Canada, the reach of our brand is truly international. In Fiscal 2016, our products were sold in 54 countries worldwide and 29% of our system-wide sales were generated outside of Canada.

- **Diversified product portfolio with enduring icons.** Our customers associate our products with style, comfort, functionality and versatility. With 44 years of product leadership, we offer a range of products diversified across seasons and spanning apparel, leather goods, accessories and footwear. From our world-famous sweats to our classic varsity jackets, artisan bags and boots, we have been at the forefront of Canadian style for generations. Serving as the foundation of our distinct identity, many of our iconic pieces have been in our assortment for decades. Our “enduring icons” product offering remains a favourite among consumers today and represented approximately 20% of our sales in Fiscal 2016. We leverage this heritage, while being guided by consumer insights and global market trends to inspire our perennial favourites and introduce seasonal excitement throughout our product offering.
- **Broad demographic appeal with strong loyalty.** Our products transcend generations. From summer camps and dorm rooms to first apartments and family vacations, we have helped shape the memories of our consumers from coast-to-coast and abroad. We believe people are inspired by our passion for the open air, whether they have just discovered Roots for the first time or have known us for many years. In an era of rapid change, when many brands are searching for relevance, we believe our guiding principles and product values continue to resonate with our target consumers. According to a survey conducted on our behalf, more than half of our Canadian customers have been buying our products for over ten years. By staying true to our heritage, we attract a loyal following of independent young professionals while also appealing to adventurous students and ageless generations who have grown up with our brand.
- **Connective omni-channel experience.** We provide our customers with an elevated brand experience in our stores and online. In Fiscal 2016, our corporate retail stores had more than 19 million visitors across our network. Capturing the essence of the open air, our retail stores immerse shoppers in our heritage and inspire them to discover our products through exceptional in-store service and visual merchandising. We were among the first Canadian brands to launch an online storefront in 1999 and, today, our e-commerce platform seamlessly integrates with our retail stores. We serve our customers with a holistic set of options for checkout, delivery and returns, while offering them a consistent experience regardless of where and how they prefer to shop. The power of our integrated footprint is reflected in our strong operating performance, with average comparable sales growth of 12.9% and e-commerce penetration increasing from 8.1% to 12.8% of DTC sales over the past three fiscal years.
- **Experienced and passionate management team.** Led by our President and Chief Executive Officer, Jim Gabel, Chief Financial Officer, Jim Rudyk, and Chief Merchandising Officer, Priscilla Shum, we have strategically assembled an exceptional management team with a complementary mix of retail, footwear, apparel, e-commerce, operational, sourcing and real estate expertise developed through years of experience at leading companies including adidas, Reebok, Wolverine World Wide, Guess, Holt Renfrew, Joe Fresh and Shred-it. To support our continued growth, we have made significant investments over the past two years in systems, processes, infrastructure and people. Our management team is united by a deep passion for the heritage of Roots and a close connection to the guiding principles of the Founders, who remain important ambassadors of our brand.

Our Growth Strategies

While the stories that define Roots have been told for nearly five decades and are shaped by global experiences, we have many more places to go and people to inspire. Over the past three fiscal years, we have successfully grown our sales at a CAGR of approximately 14%, while making long-term investments in our human capital and infrastructure. We believe an opportunity exists to achieve the following financial targets by the end of Fiscal 2019:

- Sales of \$410 to \$450 million, which implies a CAGR of 13% to 17% from Fiscal 2016 to Fiscal 2019;

- Adjusted EBITDA of \$61 to \$68 million, which implies a CAGR of 14% to 18% from Fiscal 2016 to Fiscal 2019; and
- Adjusted Net Income of \$35 to \$40 million, which implies a CAGR of 18% to 23% from Fiscal 2016 to Fiscal 2019.

As of the end of Q2 2017, the key forward-looking operational assumptions underlying these financial targets are as follows:

- average annual comparable sales growth in line with or above the level achieved in Fiscal 2016, notwithstanding quarterly variations;
- e-commerce penetration increasing to 20% to 22% of total DTC sales by the end of Fiscal 2019;
- 29 to 33 store renovations and expansions by the end of Fiscal 2019;
- the opening of 8 to 10 new stores in Canada by the end of Fiscal 2019;
- the opening of 10 to 14 new stores in the United States by the end of Fiscal 2019;
- continued expansion in existing and new international markets; and
- strategic expansion of our existing product offering in leather and footwear.

For further details regarding our assessments of targets and related strategies and assumptions for annual sales, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration and certain other measures by the end of Fiscal 2019, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook”.

To support the execution of our growth strategies, we plan to amplify the organic power of our brand through strategic marketing investments, with a meaningful increase to our marketing investment from historical levels of less than 2% of sales to a target of 4% of sales by the end of Fiscal 2019.

With the right capabilities in place and strong momentum in our operating performance, we believe an opportunity exists to accelerate our growth trajectory and profitability through the following initiatives:

- **Leverage operational investments.** Over the past two fiscal years, we have implemented a number of transformational initiatives which are designed to strengthen and drive efficiencies across our business. We are already realizing operational improvements resulting from these initiatives and intend to continue leveraging these investments to accelerate sales growth and realize higher margins.
 - *Leadership.* We have made significant new hires to enhance our executive team across senior leadership, finance, merchandising, operations, sourcing, real estate and legal functions. United by a shared passion for Roots, our well-aligned management team brings proven functional expertise and operational experience to Roots. We have also implemented best practices across the organization in recruiting, managing, developing and rewarding our employees while ensuring closer collaboration across functions.
 - *Merchandising.* Led by our seasoned Chief Merchandising Officer, we have developed a consumer-focused merchandising strategy centered around establishing a single global product range that is coordinated across collections and categories, which we refer to as our United Brand Range (“UBR”). Our UBR enables us to design and develop a simplified and scalable product assortment while remaining nimble and close to the market and consumer preferences. Our new globally-informed product set is designed to reduce the number of stock keeping units (“SKUs”) and to be consistent in presentation across all channels, which will help strengthen our brand positioning and customer experience. We believe that these efforts also set the stage for accelerated global growth, improved operating efficiencies, consolidation of our supplier base, lower sourcing costs, optimized pricing, higher product margins and better inventory management.

- *Store productivity.* We have made significant investments in our stores and people while adopting a more analytical, data-driven approach to store portfolio optimization. We have developed an enhanced store layout that can easily be implemented to better reflect our heritage, showcase our products and further integrate our omni-channel capabilities. In Fiscal 2015 and Fiscal 2016, we renovated, relocated or expanded ten stores at a total investment of \$7.2 million, resulting in sales growth of 20% at those stores. As a result of this experience, we intend to continue evaluating opportunities to enhance unit economics across our store portfolio.
- *E-commerce.* We have a long history of leveraging our online platform to support our retail network, while generating strong e-commerce growth. We have recently invested in improving our online storefront, enhancing mobile shopping capability and streamlining integration with our retail stores. We believe these investments will result in better product discovery, insights and new market activations. This will help drive traffic and conversion across our omni-channel platform and support achieving e-commerce penetration of 20% to 22% of total DTC sales by the end of Fiscal 2019.
- **Pursue continued growth in Canada.** Canada is our core and most developed market and we believe it will continue to be a central driver of our future growth due to our significant brand power, operational upside from investments already made, omni-channel optimization and “whitespace” opportunities.
 - *Expand our omni-channel productivity.* We aim to continue driving comparable sales growth and profitability through the following initiatives:
 - Amplifying our brand communication: We believe that increasing our marketing investment from a historical level of less than 2% to 4% of sales by the end of Fiscal 2019 will give us additional opportunities to further build and leverage our exceptional brand awareness in Canada. We intend to strategically invest in a wide range of integrated marketing initiatives, including amplified storytelling, enhanced visual product marketing and an elevated in-store experience.
 - Leveraging our United Brand Range: We believe that going to market with a focused, high-impact assortment, simplified pricing tiers and coordinated collections will strengthen the relevance of our offering and help drive frequency of customer visits and purchases as well as increase units per transaction and average order value. As part of our UBR initiative, we intend to optimize our supply chain and inventory management through the elimination of duplicative and low-impact SKUs. We believe that, through this consolidation of SKUs and more effectively utilizing our omni-channel network across Canada, we will realize higher margins.
 - Optimizing our stores: We intend to continue implementing our proven playbook and updated retail concept to improve operating results at our stores. We have identified 29 to 33 existing stores for renovation or expansion by the end of Fiscal 2019, where we see an opportunity to achieve meaningful improvement in store productivity and capitalize on greater selling opportunities. We anticipate a capital expenditure requirement of approximately \$113 per square foot and total capital expenditures of \$12.0 million to \$13.8 million to achieve this target. On average, we expect a payback period of less than three years for renovations and expansions.
 - Enhancing our e-commerce platform: As we roll out our new online storefront, which we expect to be launched by the end of the third quarter of Fiscal 2017, we believe an opportunity exists to further integrate our omni-channel platform to gain additional operational efficiencies and improve our customer experience, driving higher margins and sales. For example, our enhanced online storefront will include personalized style widgets, animations and pre-selections to simplify the order process and accelerated pages for mobile use.
 - *Grow our store network.* We intend to grow our retail presence coast-to-coast in premium street and top-tier mall locations as well as tourism gateways. We deploy a disciplined

analytical approach to identifying new locations. Working with a third party consultant, we identified a meaningful number of potential new locations across Canada that could meet our criteria and have selectively focused on what we believe to be the best opportunities. As a result, we intend to open 8 to 10 new stores in Canada by the end of Fiscal 2019. We also anticipate select store closures in the ordinary course of business, including through real estate portfolio optimization and finding more attractive lease opportunities. We are targeting an average size of 2,750 to 3,250 square feet for new stores in Canada with capital expenditures of approximately \$171 per square foot. We anticipate total capital expenditures of \$4.0 million to \$5.0 million to achieve this target and we anticipate a payback period on our investment of less than two years.

- **Develop footprint in the United States.** Historically, Roots has opportunistically responded to organic demand in the United States. We currently operate four retail stores in the United States and an e-commerce platform which had sales in every state in Fiscal 2016. Our e-commerce sales in the United States have been strong relative to our limited marketing investment and we believe this market represents an attractive long-term opportunity for us. The lasting halo effect from investments relating to the 2002 Winter Olympics in Salt Lake City, Utah, and Canada's proximity to the United States have created a solid base of consumer awareness for the Roots brand. We intend to take an integrated, omni-channel approach to further develop our presence in specific regions within the United States led by our established e-commerce presence and supported by targeted new store openings. We have engaged a third party consultant to analyze our e-commerce data and conduct external market research to prioritize key markets within the United States where we believe our guiding principles and products resonate most strongly with local consumers. We expect our near-term expansion to be in the Northeast and Midwest regions where we are evaluating opening stores in Boston, Detroit, Philadelphia, Washington and Chicago which are situated in close proximity to our existing infrastructure. Prior to entering a specific market, we intend to conduct targeted upfront seeding, as well as strategic digital marketing and customer activations on our website, to support our targeted retail rollout in proven high-traffic locations. Using this deliberate, data-driven and strategic approach, we intend to open 10 to 14 new stores in the United States by the end of Fiscal 2019. We are targeting an average size of 3,250 to 3,750 square feet for new stores in the United States with capital expenditures of approximately \$371 per square foot. We anticipate total capital expenditures of \$15.0 million to \$17.0 million to achieve this target and we anticipate a payback period on our investment in the United States of less than three years. This payback period is longer than our Canadian benchmark due to our earlier stage of development in the United States.
- **Expand in international markets.** As evidenced by the scale of our business outside of North America, we believe our premium brand positions us well to develop new international markets. We intend to fully-leverage our United Brand Range (UBR), to address seasonal differences in new geographies, as we thoughtfully and selectively pursue longer-term opportunities in high-potential markets abroad.
 - *Taiwan and China.* Through a close long-term relationship with a leading regional retail operator, we have successfully grown our presence in Taiwan and China over the past 21 years. Today, our partner operates 109 stores in Taiwan, 27 stores in China and an e-commerce platform which, in aggregate, contributed approximately \$107 million to system-wide sales for us in Fiscal 2016. Our partner stores are designed to replicate the inspiration of our Canadian locations, exporting our iconic brand and connective retail experience to these markets, tailored to regional preferences. Through our partnership and a more focused effort on joint marketing initiatives, we aim to increase penetration in both markets, with a focus on a regional rollout across Northern and Southern China. By the end of Fiscal 2019, we believe there is an opportunity for our partner to open an additional 20 to 25 stores in Taiwan and China.
 - *Rest of World.* Building on the global affinity for our brand and learnings from our successes in Taiwan and China, we plan to work with our current partner to establish a presence in Singapore and Malaysia by the end of Fiscal 2019. Over the longer term, we are also

evaluating partnerships in 12 additional international markets which have been prioritized according to the results of our comprehensive market assessment. We are focused on countries with large addressable markets, rising affluent populations and well-developed retail infrastructure. We are also developing a comprehensive go-to-market toolkit, which includes marketing strategies, assortment planning and store design, to attract and support strong operating partners that will help us develop these new markets.

- **Deepen our offering in leather and footwear.** We believe that leather and footwear are complementary products to our core offering and relevant incremental purchases for our customers. We also expect that the higher price points in these categories will help to drive higher average sales per transaction and anticipate that these categories will be accretive to margins. These two categories represented approximately 16% of our sales in Fiscal 2016 and we intend to incrementally accelerate their growth in close alignment with our heritage and commitment to product leadership. We have strengthened our supply chain as well as our design and product development expertise to further develop these categories through the following initiatives:
 - *Elevate leather goods.* Handcrafted quality leather goods are a part of our DNA. We intend to lead with our made-in-Canada leather products to further differentiate our brand. We plan to accelerate growth in our leather offering by combining our longstanding genuine leather credentials with a focus on modernizing the range of our leather bags, accessories and jackets. In addition, we are enhancing Roots' leather customization and personalization program by equipping a select number of stores with on-site leather experts and customization technology to enhance the shopping experience of our customers.
 - *Expand footwear.* Roots was established in 1973 with the negative heel shoe and subsequently launched additional iconic footwear styles, including the Tuff Boot and Shorty Boot. We believe that footwear is under-represented within our current product portfolio and is a highly complementary category to our current apparel, leather goods and accessories offering. Building on our rich heritage, we plan to expand footwear into a cornerstone product category. To support this initiative, we now have leadership at all levels of our organization, including our President and Chief Executive Officer, Jim Gabel, with significant footwear experience from a wide range of leading brands including adidas, Reebok, Saucony, Merrell and Mizuno. We have also engaged a leading manufacturing partner to expand our footwear capacity, improve margins and expedite seasonal introductions.

SUMMARY OF THE OFFERING

Issuer:	Roots Corporation
Selling Shareholders:	The Searchlight Selling Shareholders and the Founders Selling Shareholder
Offering:	• Shares (• Shares if the Over-Allotment Option is exercised in full)
Offering Price:	It is anticipated that the Offering Price will be between \$ • and \$ • per Share
Offering Size:	\$ • (\$ • if the Over-Allotment Option is exercised in full)
Over-Allotment Option:	The Selling Shareholders have granted the Underwriters an option, exercisable in whole or in part, at any one time for a period of 30 days after the Closing Date, to purchase from the Selling Shareholders, on a pro rata basis, up to an additional • Shares (representing approximately 15% of the number of Shares issued under the Offering) at the Offering Price solely to cover over-allotments, if any, and for market stabilization purposes. See “Plan of Distribution”.
Shares Outstanding:	Upon completion of the Offering, an aggregate of • Shares and no preferred shares will be issued and outstanding. See “Description of Share Capital”.
Shares Held by the Searchlight Selling Shareholders Following Closing:	Upon completion of the Offering, the Searchlight Selling Shareholders will, in the aggregate, directly or indirectly, own or control • Shares, representing approximately • % of our issued and outstanding Shares (on a non-diluted basis) (or • Shares, representing approximately • % of our issued and outstanding Shares (on a non-diluted basis) if the Over-Allotment Option is exercised in full). See “Principal and Selling Shareholders” and “Risk Factors”.
Shares Held by the Founders Selling Shareholder Following Closing:	Upon completion of the Offering, the Founders Selling Shareholder will own or control • Shares, representing approximately • % of our issued and outstanding Shares (on a non-diluted basis) (or • Shares, representing approximately • % of our issued and outstanding Shares (on a non-diluted basis) if the Over-Allotment Option is exercised in full). See “Principal and Selling Shareholders”.
Proceeds to the Selling Shareholders:	We will not receive any proceeds from the Offering. The aggregate net proceeds of the Offering to the Selling Shareholders, after deducting the Underwriters’ fee, will be approximately \$ • , based on the midpoint of the estimated price range set forth on the cover page of this prospectus (or \$ • if the Over-Allotment Option is exercised in full). See “Proceeds to the Selling Shareholders” and “Plan of Distribution”. The expenses of the Offering, which are estimated to be \$ • , will be paid by the Company. See “Plan of Distribution”.
Description of Share Capital:	Upon completion of the Offering, our authorized share capital will consist of (i) an unlimited number of Shares and (ii) an unlimited number of preferred shares, issuable in series. See “Description of Share Capital”.
Dividend Policy:	We intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Shares. Any determination to pay dividends in the future will be at the discretion of our

Board and will depend on many factors, including our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that our Board may deem relevant. See “Dividend Policy”.

Pre-Emptive Rights: The holders of certain Shares are entitled to certain contractual pre-emptive rights to subscribe for additional Shares provided for in the Investor Rights Agreement. See “Description of Share Capital” and “Agreements with Principal Shareholders – Investor Rights Agreement – Pre-Emptive Rights”.

Lock-Up Arrangements: Each of the Company, our directors and executive officers, and the Selling Shareholders has agreed that they will not, directly or indirectly, without the prior written consent (not to be unreasonably withheld) of the Joint Active Bookrunners, on behalf of the Underwriters, issue, offer, or sell or grant any option, warrant or other right to purchase or agree to issue, sell or otherwise lend, transfer, assign or dispose of any of our Shares, or other securities convertible or exchangeable into or otherwise exercisable into our Shares or agree or publicly announce any intention to do any of the foregoing, in each case, for a period commencing on the date hereof and ending 180 days after the Closing Date, subject to certain limited exceptions, including the sale of our securities pursuant to the exercise of the Over-Allotment Option, or the issuance of our securities pursuant to or in connection with our equity incentive compensation plans. Holders of all of our issued and outstanding Shares and approximately 83.5% of our outstanding options immediately prior to Closing will be subject to these lock-up arrangements. The remaining 16.5% of our outstanding options will not commence vesting until one year following the Closing Date. See “Plan of Distribution – Lock-Up Arrangements”.

Risk Factors: An investment in Shares is subject to a number of risk factors, as more fully described under “Risk Factors” in this prospectus, that should be carefully considered by prospective investors. These risks could materially adversely impact our business, financial condition, results of operations and future prospects, which could cause the trading price of our Shares to decline and could result in a loss of your investment. Some of these risks include:

- changes in the general economic conditions and consumer spending in the regions in which we operate;
- inability to protect and enhance our brand;
- inability to anticipate and respond to constantly changing consumer demands and fashion trends;
- our highly competitive industry and the size and resources of some of our competitors;
- fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies and associated hedging risk;
- risks associated with leasing retail space;
- inability to successfully open and operate new stores in Canada and the United States;
- failure to reduce operating expenses in a timely manner;
- lower profitability due to increasing product costs and decreasing selling prices; and
- inability to obtain merchandise on a timely basis at competitive costs from our suppliers.

In addition, our assessments of, and targets for, annual sales, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration and certain other measures by the end of Fiscal 2019 are considered forward-looking information. See “Forward-Looking Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations –Financial Outlook” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

See “Risk Factors” and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Shares.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following selected historical financial information as at and for Fiscal 2016, the Successor 2015 Period, the Predecessor 2015 Period and Fiscal 2014 has been derived from our consolidated financial statements, in each case, prepared in accordance with IFRS and included elsewhere in this prospectus which have been audited by our auditors, KPMG LLP. For the purpose of providing comparable information, we have prepared unaudited pro forma combined supplemental financial information for the combined Successor 2015 Period and Predecessor 2015 Period, both of which include pro forma adjustments and which we refer to herein as "Fiscal 2015". See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation". The selected consolidated financial information set out below as at and for the 13- and 26-week periods ended July 29, 2017 and July 30, 2016 has been derived from our unaudited interim condensed consolidated financial statements prepared in accordance with IFRS applicable to the preparation of interim financial statements appearing elsewhere in this prospectus. The selected consolidated financial information set out below for the LTM, or 52-week trailing period ended July 29, 2017, has been derived from our consolidated financial statements for Fiscal 2016 and from our unaudited interim condensed consolidated financial statements for the 13- and 26-week period ended July 29, 2017.

Prospective investors should review this information in conjunction with the consolidated financial statements including the notes thereto, as well as "Non-IFRS Measures Including Retail Industry Metrics", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Proceeds to the Selling Shareholders", "Consolidated Capitalization", "Description of Material Indebtedness" and "Description of Share Capital", included elsewhere in this prospectus.

(in thousands of Canadian dollars)	Successor					Predecessor		Predecessor
	LTM	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016	Fiscal 2016	Successor 2015 Period	Predecessor 2015 Period	Fiscal 2015	Fiscal 2014
Consolidated Statements of Net Income:								
Sales	\$296,902	\$106,346	\$ 91,330	\$281,886	\$61,401	\$194,804	\$256,205	\$217,302
Cost of goods sold	134,046	49,384	50,071	134,733	38,796	89,172	116,924	94,272
Gross profit	162,856	56,962	41,259	147,153	22,605	105,632	139,281	123,030
Operating expenses								
Selling, general and administrative expenses	135,434	65,205	59,261	129,490	25,737	89,320	114,214	94,768
Income (loss) before the undernoted	27,422	(8,243)	(18,002)	17,663	(3,132)	16,312	25,067	28,262
Interest expense	6,050	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income (loss) before taxes	21,372	(11,223)	(21,044)	11,551	(4,388)	15,088	22,587	26,144
Income tax expense (recovery)	6,614	(2,884)	(6,132)	3,366	(910)	3,871	6,129	6,766
Net income (loss)	\$ 14,758	\$ (8,339)	\$(14,912)	\$ 8,185	\$ (3,478)	\$ 11,217	\$ 16,458	\$ 19,378

(in thousands of Canadian dollars)	As at July 29, 2017	As at January 28, 2017	As at January 30, 2016
Consolidated Statements of Financial Position Data:			
Cash	\$ 440	\$ 25,257	\$ 8,481
Inventories	45,221	32,682	38,418
Fixed assets	33,274	31,219	24,776
Intangible assets	205,963	208,541	214,107
Goodwill	52,705	52,705	47,421
Total assets	347,773	357,443	343,608
Long-term debt	119,559	104,459	108,019
Total liabilities	176,281	156,259	151,333
Total shareholders' equity	171,492	201,184	192,275

(in thousands of Canadian dollars, except per share amounts)

	Fiscal 2016	2 Months	10 Months	Fiscal 2015 ⁽¹⁾	Fiscal 2014
Total assets	\$357,443	\$343,608	\$94,466	\$343,608	\$83,950
Non-current financial liabilities	\$124,885	\$123,533	\$ 4,060	\$123,533	\$ 4,562
Distributions declared per share ⁽³⁾	—	—	\$ 1.30	\$ 0.01 ⁽²⁾	—

Notes:

- (1) Reflects the ending balance of the Successor for the period.
- (2) Calculated based on the number of outstanding shares of the Successor as if such shares at the end of the period were outstanding for the entire period.
- (3) During Fiscal 2017, the Company paid a one-time shareholder distribution to the holders of its Class A Shares and Class B Shares in the aggregate amount of \$20 million (\$0.10 per share), as a return of stated capital, which was paid to our shareholders on May 2, 2017.

(in thousands of Canadian dollars)	Successor					Predecessor		Predecessor
	LTM	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016	Fiscal 2016	Successor 2015 Period	Predecessor 2015 Period	Fiscal 2015	Fiscal 2014
Reconciliation of Net Income (Loss) to Adjusted EBITDA:								
Net income (loss)	\$14,758	\$(8,339)	\$(14,912)	\$ 8,185	\$(3,478)	\$11,217	\$ 7,739⁽²⁾	\$19,378
Adjustments to net income (loss):								
Interest expense	6,050	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income tax expense (recovery)	6,614	(2,884)	(6,132)	3,366	(910)	3,871	2,961	6,766
Depreciation and amortization	10,482	5,342	4,663	9,803	1,687	4,439	6,126	6,560
EBITDA	\$37,904	\$(2,901)	\$(13,339)	\$27,466	\$(1,445)	\$20,751	\$19,306	\$34,822
Adjustments to EBITDA ⁽¹⁾ :								
COGS: Inventory costing adjustment	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments	1,199	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs	1,591	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs	45	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments	987	—	—	987	—	—	—	—
SG&A: Stock option expense	450	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items	1,357	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments	1,226	424	820	1,622	(231)	(508)	(739)	(947)
Adjusted EBITDA	\$44,759	\$ (382)	\$ (3,563)	\$41,578	\$13,835	\$24,145	\$37,980	\$36,001

(in thousands of Canadian dollars)	Successor					Predecessor		Predecessor
	LTM	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016	Fiscal 2016	Successor 2015 Period	Predecessor 2015 Period	Fiscal 2015	Fiscal 2014
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss):								
Net income (loss)	\$14,758	\$(8,339)	\$(14,912)	\$ 8,185	\$ (3,478)	\$11,217	\$ 7,739⁽²⁾	\$19,378
Adjustments to net income (loss) ⁽¹⁾ :								
COGS: Inventory costing adjustment	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments	1,199	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs	1,591	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs	45	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments	987	—	—	987	—	—	—	—
SG&A: Stock option expense	450	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items	1,357	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments	1,226	424	820	1,622	(231)	(508)	(739)	(947)
SG&A: Amortization of intangible assets acquired by Searchlight	3,849	1,898	1,857	3,808	626	—	626	—
Total adjustments	10,704	4,417	11,633	17,920	15,906	3,394	19,300	1,179
Tax effect of adjustments	(2,729)	(1,123)	(3,022)	(4,628)	(3,990)	(782)	(4,772)	(314)
Adjusted Net Income (Loss)	\$22,733	\$(5,045)	\$ (6,301)	\$21,477	\$ 8,438	\$13,829	\$22,267	\$20,243
Less: Pro Forma Interest Expense Adjustment ⁽¹⁾	—	—	—	—	—	(3,714)	(3,714)	(3,995)
Add: Tax Effect of Pro Forma Interest Expense Adjustment	—	—	—	—	—	990	990	1,065
Pro Forma Adjusted Net Income (Loss)	\$22,733	\$(5,045)	\$ (6,301)	\$21,477	\$ 8,438	\$11,105	\$19,543	\$17,313

Notes:

- (1) For a description of the adjustments referred to in the tables above, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)".
- (2) Net income (loss) in Fiscal 2015 refers to net income (loss) of the Company in respect of the Unaudited Combined Fiscal 2015 Period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation".

OUR BUSINESS

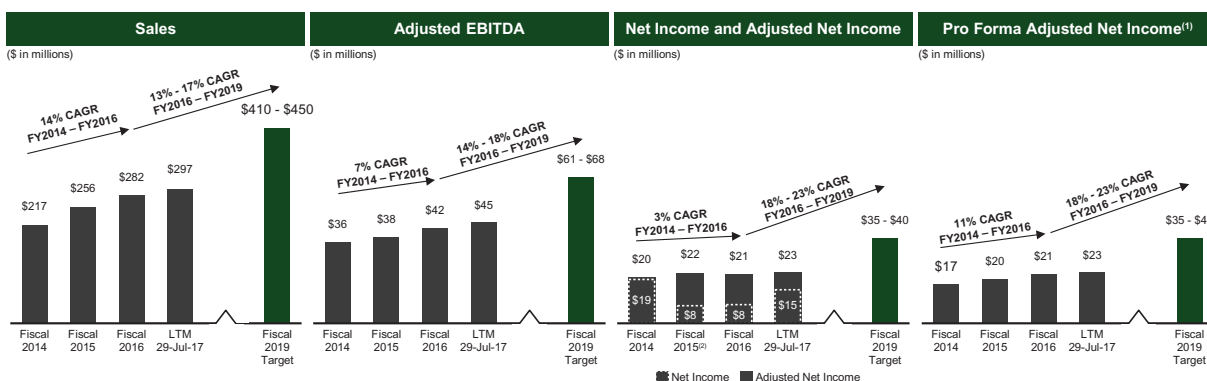
Our Story

Established in 1973, the Roots brand has stood the test of time. Inspired by the rugged beauty of Algonquin Park, our founders, Michael Budman and Don Green, set out to create a brand that captures the essence of the Canadian outdoors. From our first store in Toronto and the launch of our negative heel shoe, we have become an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear. While the world around us has changed, we have stayed true to the guiding principles of our brand. We believe that our uniquely Canadian self-confidence, authenticity, quality and unwavering integrity are more relevant today than ever before.

While our original inspiration was the great Canadian outdoors, today we are an inclusive lifestyle brand for those who want to enjoy the moment and embrace the spirit of the open air. Our products are worn by a broad cross-section of global consumers, including young professionals, students, families, athletes and entertainment icons. For nearly five decades, people have been drawn to the timeless style, comfort, functionality and versatility of our products and the stories and experiences that have shaped our brand. Canada will always be at the heart and soul of our business, but our guiding principles and premium products that this country has inspired transcend borders.

Our design and product development are driven by global consumer insights and supported by our heritage, our flexible sourcing network, our proven distribution footprint, and our Canadian leather manufacturing facility. We deliver products to our customers through our store network, online platform and international partnerships. As of July 29, 2017, our integrated omni-channel footprint included 116 corporate retail stores in Canada, 4 corporate retail stores in the United States, 109 partner-operated stores in Taiwan, 27 partner-operated stores in China and a global e-commerce platform that shipped to 54 countries during our most recently completed fiscal year.

The power of our brand and business model is reflected in our strong operational and financial performance. In Fiscal 2016, we generated sales of approximately \$282 million, which have grown at a CAGR of approximately 14% from Fiscal 2014 to Fiscal 2016. In Fiscal 2016, we achieved comparable sales growth of 8.3% over the previous fiscal year, recognized net income of approximately \$8 million and Adjusted EBITDA of approximately \$42 million. A summary of our sales, Adjusted EBITDA, net income, Adjusted Net Income and Pro Forma Adjusted Net Income for Fiscal 2014, Fiscal 2015, Fiscal 2016, LTM, and targets for Fiscal 2019 is set out below.



Notes:

- (1) Pro Forma Adjusted Net Income figures presented in this chart represents Adjusted Net Income, further adjusted in financial periods prior to the Acquisition to include the additional interest expense, and resultant tax effect, that was incurred in Fiscal 2016 as a result of entering into the Credit Facilities in connection with the Acquisition. The pro forma interest expense adjustment is intended to improve the net earnings comparability between financial periods, as if the same capital structure was present throughout all comparable periods.
- (2) Net Income in Fiscal 2015 refers to net income of the Company in respect of the Unaudited Combined Fiscal 2015 Period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation".

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook” for additional information concerning our strategies, assumptions and market outlook in relation to our assessments of, and targets for, sales, Adjusted EBITDA and Adjusted Net Income. For additional information regarding Adjusted EBITDA, Adjusted Net Income and Pro Forma Adjusted Net Income, which are non-IFRS measures, see “Non-IFRS Measures Including Retail Industry Metrics”. For a reconciliation of all non-IFRS measures used in this prospectus to net income, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations –Reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)”.

Our Competitive Strengths

We view our heritage and our guiding principles as the foundation of our business. Our brand is supported by first-rate operations and is well-diversified across product categories, seasons, channels and geographies. We believe the following strengths differentiate us within our industry and serve as the central pillars of our sustained success.

- **Iconic Canadian brand with rich heritage.** Through an unwavering commitment to our guiding principles and a lasting affinity for our products, we have helped define Canadian style for nearly five decades, while successfully exporting our heritage globally. Roots has achieved 99% aided brand awareness in our home market primarily through word-of-mouth marketing and decades of unpaid celebrity and professional athlete affirmation. As a result, Roots has been named as one of the top 10 brands in Canada by Canadian Business in 2016 and 2017 and is the only lifestyle apparel brand to receive this distinction. While Roots is synonymous with Canada, the reach of our brand is truly international. In Fiscal 2016, our products were sold in 54 countries worldwide and 29% of our system-wide sales were generated outside of Canada.
- **Diversified product portfolio with enduring icons.** Our customers associate our products with style, comfort, functionality and versatility. With 44 years of product leadership, we offer a range of products diversified across seasons and spanning apparel, leather goods, accessories and footwear. From our world-famous sweats to our classic varsity jackets, artisan bags and boots, we have been at the forefront of Canadian style for generations. Serving as the foundation of our distinct identity, many of our iconic pieces have been in our assortment for decades. Our “enduring icons” product offering remains a favourite among consumers today and represented approximately 20% of our sales in Fiscal 2016. We leverage this heritage, while being guided by consumer insights and global market trends to inspire our perennial favourites and introduce seasonal excitement throughout our product offering.
- **Broad demographic appeal with strong loyalty.** Our products transcend generations. From summer camps and dorm rooms to first apartments and family vacations, we have helped shape the memories of our consumers from coast-to-coast and abroad. We believe people are inspired by our passion for the open air, whether they have just discovered Roots for the first time or have known us for many years. In an era of rapid change, when many brands are searching for relevance, we believe our guiding principles and product values continue to resonate with our target consumers. According to a survey conducted on our behalf, more than half of our Canadian customers have been buying our products for over ten years. By staying true to our heritage, we attract a loyal following of independent young professionals while also appealing to adventurous students and ageless generations who have grown up with our brand.
- **Connective omni-channel experience.** We provide our customers with an elevated brand experience in our stores and online. In Fiscal 2016, our corporate retail stores had more than 19 million visitors across our network. Capturing the essence of the open air, our retail stores immerse shoppers in our heritage and inspire them to discover our products through exceptional in-store service and visual merchandising. We were among the first Canadian brands to launch an online storefront in 1999 and, today, our e-commerce platform seamlessly integrates with our retail stores. We serve our customers with a holistic set of options for checkout, delivery and returns, while offering them a consistent experience regardless of where and how they prefer to shop. The power of our integrated footprint is reflected in our strong operating performance, with average

comparable sales growth of 12.9% and e-commerce penetration increasing from 8.1% to 12.8% of DTC sales over the past three fiscal years.

- **Experienced and passionate management team.** Led by our President and Chief Executive Officer, Jim Gabel, Chief Financial Officer, Jim Rudyk, and Chief Merchandising Officer, Priscilla Shum, we have strategically assembled an exceptional management team with a complementary mix of retail, footwear, apparel, e-commerce, operational, sourcing and real estate expertise developed through years of experience at leading companies including adidas, Reebok, Wolverine World Wide, Guess, Holt Renfrew, Joe Fresh and Shred-it. To support our continued growth, we have made significant investments over the past two years in systems, processes, infrastructure and people. Our management team is united by a deep passion for the heritage of Roots and a close connection to the guiding principles of the Founders, who remain important ambassadors of our brand.

Our Growth Strategies

While the stories that define Roots have been told for nearly five decades and are shaped by global experiences, we have many more places to go and people to inspire. Over the past three fiscal years, we have successfully grown our sales at a CAGR of approximately 14%, while making long-term investments in our human capital and infrastructure. We believe an opportunity exists to achieve the following financial targets by the end of Fiscal 2019:

- Sales of \$410 to \$450 million, which implies a CAGR of 13% to 17% from Fiscal 2016 to Fiscal 2019;
- Adjusted EBITDA of \$61 to \$68 million, which implies a CAGR of 14% to 18% from Fiscal 2016 to Fiscal 2019; and
- Adjusted Net Income of \$35 to \$40 million, which implies a CAGR of 18% to 23% from Fiscal 2016 to Fiscal 2019.

As of the end of Q2 2017, the key forward-looking operational assumptions underlying these financial targets are as follows:

- average annual comparable sales growth in line with or above the level achieved in Fiscal 2016, notwithstanding quarterly variations;
- e-commerce penetration increasing to 20% to 22% of total DTC sales by the end of Fiscal 2019;
- 29 to 33 store renovations and expansions by the end of Fiscal 2019;
- the opening of 8 to 10 new stores in Canada by the end of Fiscal 2019;
- the opening of 10 to 14 new stores in the United States by the end of Fiscal 2019;
- continued expansion in existing and new international markets; and
- strategic expansion of our existing product offering in leather and footwear.

For further details regarding our assessments of targets and related strategies and assumptions for annual sales, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration and certain other measures by the end of Fiscal 2019, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook".

To support the execution of our growth strategies, we plan to amplify the organic power of our brand through strategic marketing investments, with a meaningful increase to our marketing investment from historical levels of less than 2% of sales to a target of 4% of sales by the end of Fiscal 2019.

With the right capabilities in place and strong momentum in our operating performance, we believe an opportunity exists to accelerate our growth trajectory and profitability through the following initiatives:

- **Leverage operational investments.** Over the past two fiscal years, we have implemented a number of transformational initiatives which are designed to strengthen and drive efficiencies across our business. We are already realizing operational improvements resulting from these initiatives and intend to continue leveraging these investments to accelerate sales growth and realize higher margins.
 - *Leadership.* We have made significant new hires to enhance our executive team across senior leadership, finance, merchandising, operations, sourcing, real estate and legal functions. United by a shared passion for Roots, our well-aligned management team brings proven functional expertise and operational experience to Roots. We have also implemented best practices across the organization in recruiting, managing, developing and rewarding our employees while ensuring closer collaboration across functions.
 - *Merchandising.* Led by our seasoned Chief Merchandising Officer, we have developed a consumer-focused merchandising strategy centered around establishing a single global product range that is coordinated across collections and categories, which we refer to as our United Brand Range (“UBR”). Our UBR enables us to design and develop a simplified and scalable product assortment while remaining nimble and close to the market and consumer preferences. Our new globally-informed product set is designed to reduce the number of stock keeping units (“SKUs”) and to be consistent in presentation across all channels, which will help strengthen our brand positioning and customer experience. We believe that these efforts also set the stage for accelerated global growth, improved operating efficiencies, consolidation of our supplier base, lower sourcing costs, optimized pricing, higher product margins and better inventory management.
 - *Store productivity.* We have made significant investments in our stores and people while adopting a more analytical, data-driven approach to store portfolio optimization. We have developed an enhanced store layout that can easily be implemented to better reflect our heritage, showcase our products and further integrate our omni-channel capabilities. In Fiscal 2015 and Fiscal 2016, we renovated, relocated or expanded ten stores at a total investment of \$7.2 million, resulting in sales growth of 20% at those stores. As a result of this experience, we intend to continue evaluating opportunities to enhance unit economics across our store portfolio.
 - *E-commerce.* We have a long history of leveraging our online platform to support our retail network, while generating strong e-commerce growth. We have recently invested in improving our online storefront, enhancing mobile shopping capability and streamlining integration with our retail stores. We believe these investments will result in better product discovery, insights and new market activations. This will help drive traffic and conversion across our omni-channel platform and support achieving e-commerce penetration of 20% to 22% of total DTC sales by the end of Fiscal 2019.
- **Pursue continued growth in Canada.** Canada is our core and most developed market and we believe it will continue to be a central driver of our future growth due to our significant brand power, operational upside from investments already made, omni-channel optimization and “whitespace” opportunities.
 - *Expand our omni-channel productivity.* We aim to continue driving comparable sales growth and profitability through the following initiatives:
 - *Amplifying our brand communication:* We believe that increasing our marketing investment from a historical level of less than 2% to 4% of sales by the end of Fiscal 2019 will give us additional opportunities to further build and leverage our exceptional brand awareness in Canada. We intend to strategically invest in a wide range of integrated marketing initiatives, including amplified storytelling, enhanced visual product marketing and an elevated in-store experience.

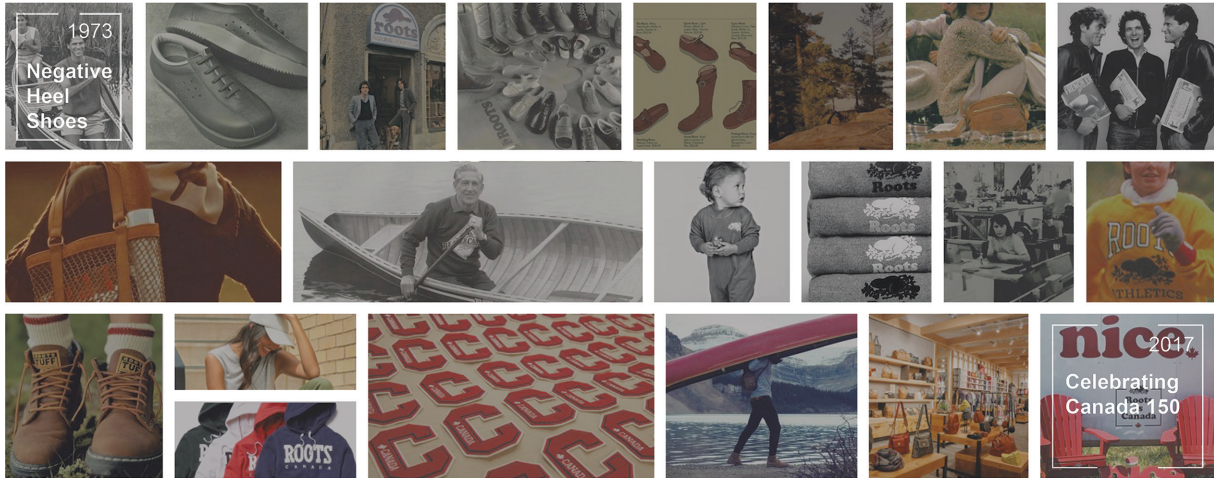
- Leveraging our United Brand Range: We believe that going to market with a focused, high-impact assortment, simplified pricing tiers and coordinated collections will strengthen the relevance of our offering and help drive frequency of customer visits and purchases as well as increase units per transaction and average order value. As part of our UBR initiative, we intend to optimize our supply chain and inventory management through the elimination of duplicative and low-impact SKUs. We believe that, through this consolidation of SKUs and more effectively utilizing our omni-channel network across Canada, we will realize higher margins.
- Optimizing our stores: We intend to continue implementing our proven playbook and updated retail concept to improve operating results at our stores. We have identified 29 to 33 existing stores for renovation or expansion by the end of Fiscal 2019, where we see an opportunity to achieve meaningful improvement in store productivity and capitalize on greater selling opportunities. We anticipate a capital expenditure requirement of approximately \$113 per square foot and total capital expenditures of \$12.0 million to \$13.8 million to achieve this target. On average, we expect a payback period of less than three years for renovations and expansions.
- Enhancing our e-commerce platform: As we roll out our new online storefront, which we expect to be launched by the end of the third quarter of Fiscal 2017, we believe an opportunity exists to further integrate our omni-channel platform to gain additional operational efficiencies and improve our customer experience, driving higher margins and sales. For example, our enhanced online storefront will include personalized style widgets, animations and pre-selections to simplify the order process and accelerated pages for mobile use.
- *Grow our store network.* We intend to grow our retail presence coast-to-coast in premium street and top-tier mall locations as well as tourism gateways. We deploy a disciplined analytical approach to identifying new locations. Working with a third party consultant, we identified a meaningful number of potential new locations across Canada that could meet our criteria and have selectively focused on what we believe to be the best opportunities. As a result, we intend to open 8 to 10 new stores in Canada by the end of Fiscal 2019. We also anticipate select store closures in the ordinary course of business, including through real estate portfolio optimization and finding more attractive lease opportunities. We are targeting an average size of 2,750 to 3,250 square feet for new stores in Canada with capital expenditures of approximately \$171 per square foot. We anticipate total capital expenditures of \$4.0 million to \$5.0 million to achieve this target and we anticipate a payback period on our investment of less than two years.
- **Develop footprint in the United States.** Historically, Roots has opportunistically responded to organic demand in the United States. We currently operate four retail stores in the United States and an e-commerce platform which had sales in every state in Fiscal 2016. Our e-commerce sales in the United States have been strong relative to our limited marketing investment and we believe this market represents an attractive long-term opportunity for us. The lasting halo effect from investments relating to the 2002 Winter Olympics in Salt Lake City, Utah, and Canada's proximity to the United States have created a solid base of consumer awareness for the Roots brand. We intend to take an integrated, omni-channel approach to further develop our presence in specific regions within the United States led by our established e-commerce presence and supported by targeted new store openings. We have engaged a third party consultant to analyze our e-commerce data and conduct external market research to prioritize key markets within the United States where we believe our guiding principles and products resonate most strongly with local consumers. We expect our near-term expansion to be in the Northeast and Midwest regions where we are evaluating opening stores in Boston, Detroit, Philadelphia, Washington and Chicago which are situated in close proximity to our existing infrastructure. Prior to entering a specific market, we intend to conduct targeted upfront seeding, as well as strategic digital marketing and customer activations on our website, to support our targeted retail rollout in proven high-traffic locations. Using this deliberate, data-driven and strategic approach, we intend to open 10 to 14 new stores in the United States by the end of Fiscal 2019. We are targeting an average size of 3,250 to 3,750 square feet for new stores in the United States with capital expenditures of approximately \$371 per square foot. We anticipate total capital expenditures of \$15.0 million to \$17.0 million to achieve this

target and we anticipate a payback period on our investment in the United States of less than three years. This payback period is longer than our Canadian benchmark due to our earlier stage of development in the United States.

- **Expand in international markets.** As evidenced by the scale of our business outside of North America, we believe our premium brand positions us well to develop new international markets. We intend to fully-leverage our United Brand Range (UBR), to address seasonal differences in new geographies, as we thoughtfully and selectively pursue longer-term opportunities in high-potential markets abroad.
 - *Taiwan and China.* Through a close long-term relationship with a leading regional retail operator, we have successfully grown our presence in Taiwan and China over the past 21 years. Today, our partner operates 109 stores in Taiwan, 27 stores in China and an e-commerce platform which, in aggregate, contributed approximately \$107 million to system-wide sales for us in Fiscal 2016. Our partner stores are designed to replicate the inspiration of our Canadian locations, exporting our iconic brand and connective retail experience to these markets, tailored to regional preferences. Through our partnership and a more focused effort on joint marketing initiatives, we aim to increase penetration in both markets, with a focus on a regional rollout across Northern and Southern China. By the end of Fiscal 2019, we believe there is an opportunity for our partner to open an additional 20 to 25 stores in Taiwan and China.
 - *Rest of World.* Building on the global affinity for our brand and learnings from our successes in Taiwan and China, we plan to work with our current partner to establish a presence in Singapore and Malaysia by the end of Fiscal 2019. Over the longer term, we are also evaluating partnerships in 12 additional international markets which have been prioritized according to the results of our comprehensive market assessment. We are focused on countries with large addressable markets, rising affluent populations and well-developed retail infrastructure. We are also developing a comprehensive go-to-market toolkit, which includes marketing strategies, assortment planning and store design, to attract and support strong operating partners that will help us develop these new markets.
- **Deepen our offering in leather and footwear.** We believe that leather and footwear are complementary products to our core offering and relevant incremental purchases for our customers. We also expect that the higher price points in these categories will help to drive higher average sales per transaction and anticipate that these categories will be accretive to margins. These two categories represented approximately 16% of our sales in Fiscal 2016 and we intend to incrementally accelerate their growth in close alignment with our heritage and commitment to product leadership. We have strengthened our supply chain as well as our design and product development expertise to further develop these categories through the following initiatives:
 - *Elevate leather goods.* Handcrafted quality leather goods are a part of our DNA. We intend to lead with our made-in-Canada leather products to further differentiate our brand. We plan to accelerate growth in our leather offering by combining our longstanding genuine leather credentials with a focus on modernizing the range of our leather bags, accessories and jackets. In addition, we are enhancing Roots' leather customization and personalization program by equipping a select number of stores with on-site leather experts and customization technology to enhance the shopping experience of our customers.
 - *Expand footwear.* Roots was established in 1973 with the negative heel shoe and subsequently launched additional iconic footwear styles, including the Tuff Boot and Shorty Boot. We believe that footwear is under-represented within our current product portfolio and is a highly complementary category to our current apparel, leather goods and accessories offering. Building on our rich heritage, we plan to expand footwear into a cornerstone product category. To support this initiative, we now have leadership at all levels of our organization, including our President and Chief Executive Officer, Jim Gabel, with significant footwear experience from a wide range of leading brands including adidas, Reebok, Saucony, Merrell and Mizuno. We have also engaged a leading manufacturing partner to expand our footwear capacity, improve margins and expedite seasonal introductions.

Our History

Roots is a brand shaped by stories. Since 1973, we have been a part of everyday lives and seminal moments in culture, sports and entertainment. From global consumers to influencers including athletes, celebrities and even royalty, people all over the world have gravitated to our brand. Their passions have made our products a part of history and helped us to develop our distinct identity. Guided by our deep-rooted heritage, we carefully cultivate and evolve our product offering, inspiring our customers to live in the spirit of the open air.



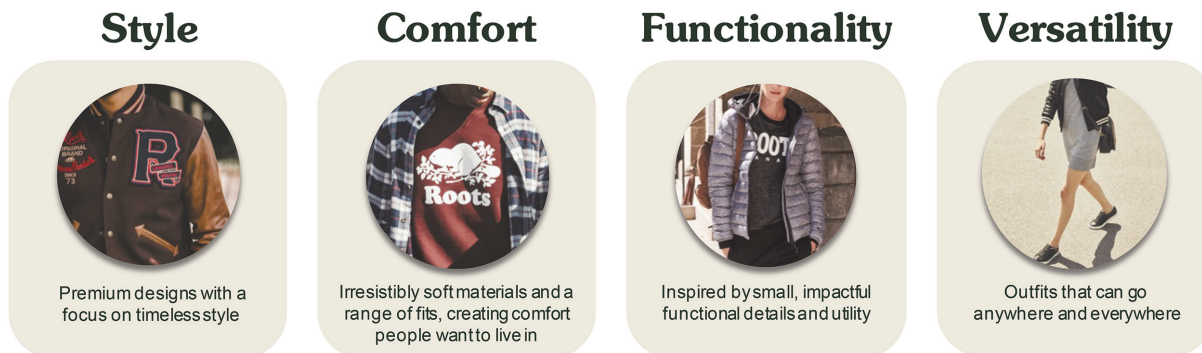
Our Guiding Principles

Roots began with a simple idea – to translate the affinity for the Canadian outdoors into an enduring lifestyle brand. From our first store in Toronto to the global stage, we have never lost sight of what we stand for. The following principles are foundational to our brand discipline and sustainability:

- *Self-confidence*: we proudly emanate a grounded sense of confidence that is uniquely Canadian;
- *Authenticity*: we know who we are, where we are from and what we stand for;
- *Quality*: we focus on delivering to our customers a consistent experience that they know and trust; and
- *Integrity*: we act honestly and with a good heart in the way we treat our partners and in how we craft premium quality products.

Our Products

Values. With decades of experience and continuous feedback, we have a deep understanding of what customers love about our products. With quality always at the forefront, we develop each of our products with the following values:



Product architecture and offering. Our product line is comprised of premium apparel, leather, accessories and footwear for men, women and children. This product offering is structured around an architecture which includes three categories – enduring icons, perennial favourites and seasonal excitement. This architecture helps us to reinforce our heritage while evolving our offering and cultivating a sense of newness for our customers. Our enduring icons represent styles that define our brand and serve as the inspiration for the rest of our offering. Perennial favourites loved by our customers are brought back each year in refreshed styles and colours. Seasonal excitement pieces represent new products that we introduce each year to inspire our customers and continuously evolve our offering.

		Apparel 57% of FY2016 sales		Leather 13% of FY2016 sales		Accessories 13% of FY2016 sales		Kids 13% of FY2016 sales		Footwear 3% of FY2016 sales	
Stay True to Our Heritage Cultivate A Sense of Newness	Enduring Icons	New									
	Perennial Favourites	New									
	Seasonal Excitement	New									

Coordinated collections. The implementation of our United Brand Range (UBR) has enhanced our ability to improve inventory management as well as create coordinated collections across our diversified categories. With a focused product offering, we intend to increase the depth of our purchases, improving the scalability and effectiveness of product marketing and in-store visual merchandising.

While we have a consistent go-to-market strategy, we utilize four distinct merchandising themes for each of our stores – Comfort, Canadiana, Open Air and Experience. We use these four themes to thoughtfully cater to local market demographics, depending on whether our stores are located in urban centers, student towns or targeted tourism gateways. With this approach, we are able to curate our offering to the specifics of each local market and customer profile in order to maximize store sales and profitability.



Enhancing leather and footwear. We have invested in our capabilities and personnel to strategically elevate our leather goods and footwear offering. We believe these categories serve as complementary purchases for our customers which complete our head-to-toe look and increase our average sales per transaction.

We believe that a meaningful growth opportunity exists to elevate our leather goods offering as we modernize and refresh our product range. We have invested in new technologies at our leather factory in Toronto and launched an apprentice program to recruit and develop skilled craftspeople for additional capacity. Going forward, we intend to hire new leather category leadership as well as engage design consultants and handbag developers to further enhance and expand our leather bag styles. Additionally, we intend to enhance our leather customization program to further elevate the in-store leather experience for our customers.

We have strategically hired individuals at all levels of our organization with extensive footwear backgrounds to execute on our growth strategy within this category. This team brings exceptional experience from a diverse range of renowned brands, including adidas, Reebok, Saucony, Merrell and Mizuno. Under this new leadership, we are currently onboarding a premier footwear manufacturer. We have also increased our emphasis on footwear distribution within our renovated stores and online storefront, to focus on elevated footwear merchandising and increased footwear sales.

Sourcing and Manufacturing

Supply chain. In addition to procuring finished products from third party manufacturers, we operate our own leather factory. Currently, we have arrangements with over 130 third party suppliers and manufacturers in North America, Europe and Asia that supply raw materials and finished products to us. In Fiscal 2016, our top ten suppliers, outside of our own leather factory, accounted for approximately 59% of our total inventory purchases. The tenure of our relationship with our top ten suppliers and manufacturers averages over ten years. As craftsmen with real leather credentials, we know what it takes to create best-in-class products and we hold our suppliers to stringent quality, health and environmental standards. Our supplier guidelines seek to ensure ethical sourcing of raw materials and finished goods. We undertake third party compliance audits to ensure these standards are met and materials testing to ensure consumer safety.

We have recently committed to significant investments across our supply chain organization. We have strengthened our sourcing team by hiring a new Senior Director of Sourcing with global experience, along with four additional seasoned sourcing professionals. This team is applying a rigorous analytical approach

by using a defined global sourcing matrix that considers category, production management and costing processes to improve our sourcing operations and minimize product purchasing costs. Our UBR strategy, implemented in the first half of 2017, will allow for deeper product runs and supplier reductions to help drive margin expansion as we continue to grow our sales.

Leather manufacturing. Original leather goods have been at the heart of Roots since our inception. We employ 181 leather artisans at our Toronto-based leather factory and design all of our products in-house. In keeping with our heritage and craftsmanship tradition, a majority of our leather products are made in our factory in Toronto, Canada using premium Italian leather. Our leather manufacturing facility is leased to us by entities controlled by the Founders and certain of their family members (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transactions”).



Roots Leather Factory – Toronto, Ontario, Canada

Product Development and Merchandising

Organization. We have hired a Chief Merchandising Officer, with 25 years of retail merchandising experience, and have further strengthened our design and merchandising team with the addition of nine new roles. These changes enabled our transition to a centralized merchandising model and the launch of UBR. Our new structure utilizes global consumer insights in the design and development of our products to fulfill identified consumer demand and reflects the specific feedback of other departments including marketing, buying, sourcing, planning and distribution. By maintaining an ongoing dialogue with stakeholders, we are able to stay closer to the market and more effectively execute our planning, sourcing, production, buying, marketing and merchandising initiatives.

Productivity. Our UBR initiative enables us to create a streamlined product offering. As part of our UBR initiative, we are currently in the process of reducing our total number of SKUs and we intend to achieve an approximate 40% SKU reduction by the end of Fiscal 2018 relative to Fiscal 2016, through the rationalization of low volume and duplicative styles. We have also simplified our product hierarchy and reduced the number of pricing tiers across our offering, enabling us to buy deeper into each style on better terms with our suppliers. We expect that streamlining assortments will allow us to manage our inventory more efficiently and offer greater availability of sizes and styles to our customers.

Distribution

We distribute our products globally to 54 countries through two distribution channels: our integrated omni-channel platform and international partnerships. We utilize both channels to leverage local market knowledge for accelerated growth and a consistent customer experience across all of our geographies.

Integrated omni-channel platform. Our integrated omni-channel footprint enables us to showcase the Roots brand and provide our customers with an elevated shopping experience regardless of where and how they prefer to shop. We are continuously evaluating our omni-channel capabilities and evolving these channels to improve customer experience, and have recently made significant investments to improve both our retail and online storefronts. Supported by our UBR initiative, we coordinate our in-store and online marketing campaigns, merchandise assortments, promotional calendars and distribution processes. Our corporate retail stores and e-commerce platforms are integrated and the strength of our omni-channel strategy is reflected in average annual spend which is approximately 2.0x higher for our customers who shop both in-store and online as compared to single-channel customers.

Our corporate retail stores offer a personalized, service-oriented shopping experience which emphasizes and reinforces our brand. We focus on opening corporate retail stores in a manner that maximizes sales productivity and elevates the customer experience, with a target payback in Canada of less than two years for new locations. Most of our retail stores are strategically located in urban centres within high-performing malls or in premium street locations to maximize foot traffic among our target demographics. We have a team of knowledgeable, motivated and passionate sales associates to deliver high quality service and convey our brand ethos to customers. Our average corporate retail store size is approximately 3,445 square feet.

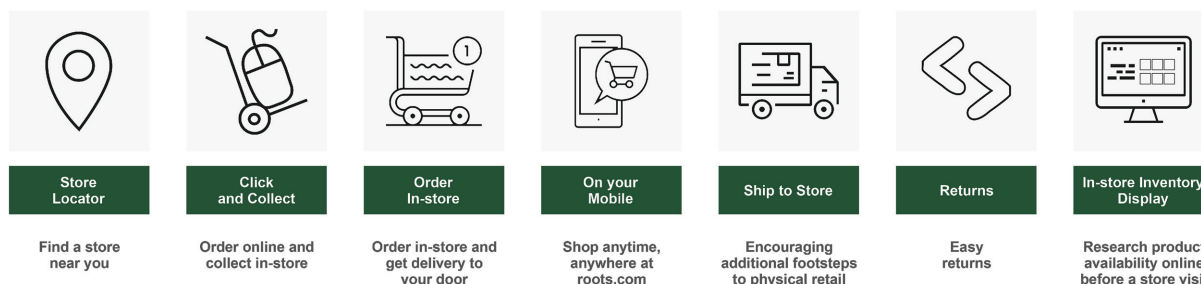


Renovated Yorkdale store re-launched in August 2017

We have a history of leadership in e-commerce, which is a key component of our connective retail platform and international market development strategy. Our integration allows us to provide our customers with a seamless shopping experience, while driving incremental sales. If merchandise is not stocked in a retail location most convenient for a customer, we source the item from other retail locations or our distribution centres and ship the order directly to the customer. We also offer the flexibility to pick up online orders in all of our corporate retail stores. Through these synergistic channel capabilities, we believe we are able to deliver a connective retail experience and enhance the productivity of both channels. Our e-commerce capabilities are also central to building brand awareness, seeding new regional markets and

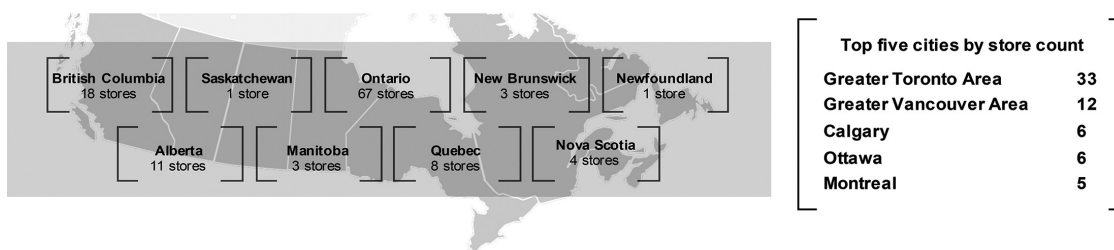
conducting customer activations ahead of retail store launches. To further amplify our digital customer connectivity as well as to drive traffic and conversion, we have engaged a leading firm to redesign our website. This investment will be deployed over the next few months as we prepare to launch our updated website by the end of the third quarter of 2017. The new design will enhance the customer experience through improved website functionality, enhanced mobile integration, product presentation, personalized virtual dressing rooms and expanded editorial content to increase customer engagement and site-visit frequency.

Existing omni-channel capabilities



Omni-channel sales per customer are ~2.0x greater than sales from a single-channel customer

- Canada:** Since the opening of our first store in Toronto in 1973, we have developed a strong nationwide retail network, with 116 retail stores as of July 29, 2017. We were among the first major Canadian brands to launch an e-commerce platform in 1999 and, today, our corporate retail stores are fully integrated with our online storefront. Going forward, we intend to accelerate growth and productivity in Canada through operational improvements, while selectively and incrementally expanding our store network. Working with a third party consulting firm, we have identified a number of potential new locations across Canada that meet our criteria. However, we are selectively focusing on the best opportunities and we intend to open 8 to 10 new stores in Canada by the end of Fiscal 2019.



- United States:** While our store presence in the United States is relatively small, we have a long history of organic interest in our brand and the right infrastructure and insights to effectively develop our footprint in the United States. We established presence in the United States in 1974 and, as of July 29, 2017, we operate four corporate retail stores and our e-commerce storefront in the United States, which had sales in all 50 states in Fiscal 2016. Our corporate retail stores in the United States are located in New York City, New York; Los Angeles, California; Park City, Utah; and Birmingham, Michigan. Our total sales in the United States were over \$8 million in Fiscal 2016. Informed by existing demand and extensive local market research, we plan to take a more structured approach to our growth in the United States going forward, with a focus on high-potential markets in the Northeast and Midwest regions, more specifically Boston, Detroit, Philadelphia, Washington and Chicago. Using our data-driven and strategic approach, we intend to open 10 to 14 new stores in the United States by the end of Fiscal 2019.

International partnerships. Our international partnership model allows us to accelerate our growth with local market expertise, capital-light expansion and broad regional reach. Our success in Canada has generated interest from premier retail operators, including our long-standing international operating partner in Taiwan and China, Branded Lifestyle (“BLS”), a subsidiary of the retailing division of the Fung Group and

a sister company to Li & Fung. We generate wholesale sales from selling our products to BLS and royalty sales on BLS' retail sales of those products. BLS sells our products to consumers through its Roots-branded stores and e-commerce platform. International operating partner stores are designed to replicate the aesthetics and experience of our corporate retail stores, exporting our iconic brand and connective retail experience to the local market. As of July 29, 2017, our partner operates 109 stores in Taiwan, 27 stores in China and an e-commerce platform which, together, represented approximately \$107 million of total system-wide sales in Fiscal 2016. In addition to Taiwan and China, we have granted BLS the right to develop markets in Malaysia and Singapore.

We intend to continue growing our presence in Taiwan and China and developing new international markets in partnership with BLS and with new international operating partners. To support BLS and to establish new relationships, we are developing a comprehensive go-to-market toolkit. This toolkit is designed to include a set of store formats, marketing assets and recommended product assortments, which will be brought to life at our recently-developed Brand Centre in Toronto. By the end of Fiscal 2019, we believe there is an opportunity for our partner to open an additional 20 to 25 stores in Taiwan and China.

Marketing

As an iconic Canadian brand with a loyal customer base and a strong celebrity following, Roots has achieved 99% aided brand awareness in Canada while historically maintaining a marketing investment of less than 2% of sales. Our success has largely been driven by word-of-mouth marketing and unpaid support from celebrities and athletes. Since our Olympic debut at the 1976 Winter Games, we have partnered with Olympic teams of several countries including Canada, the United States, the United Kingdom and Jamaica. This involvement has helped us reach a global audience and reinforced our positioning as an iconic brand. For example, our Team Canada red poorboy cap and our Team USA blue beret received significant attention during the 1998 Winter Olympics in Nagano, Japan and the 2002 Winter Olympics in Salt Lake City, Utah. In recent years, we have also partnered with film festivals, production companies, concert promoters and sports teams to create custom-made genuine leather products.

Going forward, we plan to strategically increase our overall marketing spend from less than 2% of sales to a target of 4% of sales to support the execution of our growth strategies. This will allow us to amplify our brand messaging globally and generate product-based demand to engage and inspire customers, with a focus on the following initiatives:

- *Continue to build the Roots brand:* central brand marketing, targeted events and seasonal campaigns;
- *Increase product-specific marketing:* targeted support for existing iconic products and launching new high-potential styles or categories within leather and footwear;
- *Elevate the in-store experience:* enhance visual merchandising and support a brand-immersive retail experience that embraces the spirit of the open air;
- *Enhance purchase frequency:* engage and reward customers through an experience-based loyalty program expected to be launched by the end of 2017; and
- *Support international growth:* support our international operating partners with a comprehensive go-to-market toolkit.

Competition

The market for high-quality apparel, leather goods, accessories and footwear is highly fragmented. We compete directly against other manufacturers, wholesalers and direct retailers of apparel, leather goods, accessories and footwear. Due to our diversified array of product offerings, we compete both with global brands and smaller regional brands, including those who may specialize in a specific category. While we operate in a highly competitive market with fast-paced changes in industry dynamics, we believe there are many factors that differentiate us from other manufacturers, wholesalers and retailers. We believe that we successfully compete on the basis of our strengths, including our powerful brand, rich heritage, diverse portfolio of enduring products and broad demographic appeal.

Employees

As of July 29, 2017, we had over 2,200 employees (excluding seasonal employees), of which approximately 1,750 were employed in our stores, 236 were employed at our head office, 198 were employed at our Toronto-based leather factory and 50 were employed at our Toronto-based distribution facility.

We hire seasonal associates for our stores, leather factory, distribution facility and customer care during peak seasons such as the holiday shopping season, which provides us with greater flexibility in our size of workforce and allows us to better address busier peak periods. None of our employees are currently covered by a collective bargaining agreement and we have had no labour-related work stoppages.

Information Systems

We continue to strategically invest in best-in-class information systems and technology infrastructure. We recently completed the implementation of a new point of sale system across our store network to further enhance our omni-channel operations and customer relationship management capabilities. We have implemented a new merchandise planning system and are implementing a new human resources information system to streamline recruitment at the store level and simplify training to align with our UBR merchandising strategy. These upgrades and other investments are expected to increase our efficiency and support our growth. We review our information systems annually and subsequently implement any strategic enhancements to ensure we best leverage our systems to support our current business and future growth.

Leased Properties

We currently have 116 stores in Canada and four stores in the United States, all of which are leased. We also maintain the following leased facilities for our corporate headquarters and to conduct our principal distribution and manufacturing activities, which we believe are in good condition and working order:

Premises	Location	Square Feet	Lease Expiration Date
Head Office	Toronto, Canada	68,364	February 29, 2020
Leather Factory	Toronto, Canada	45,436	November 30, 2018
Toronto Distribution Center	Toronto, Canada	108,982	November 30, 2018

Distribution Centres

Our current distribution network consists of (i) a 108,982 square foot distribution facility located in Toronto, Ontario, that is leased to us by entities controlled by the Founders and certain of their family members (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transactions”) and is responsible for the management of inbound freight of goods from our global supplier base, the warehousing of our products prior to sale and the management of outbound freight of our products to our North American store base, as well as to our international operating partners and wholesale purchasers, and (ii) a third party distribution facility operated by our distribution partner, PFSweb, Inc. (“PFS”), that is utilized to fulfill orders in respect of our global e-commerce business (other than territories covered by BLS). PFS houses within their own distribution facility inventory allocated and shipped to PFS by us from our Toronto-based distribution facility. E-commerce orders are then packed and shipped by PFS from this inventory supply.

Intellectual Property

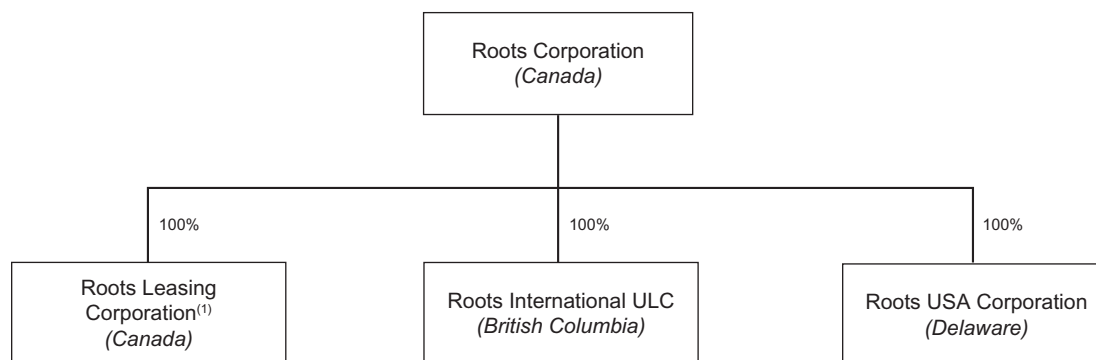
We believe we own the material trademarks used in connection with the design, production, marketing, distribution and sale of all our products in Canada, the United States, Taiwan, China and in the other countries in which our products are currently or intended to be either sold or manufactured. Our major trademarks include Roots, Roots & Design (our beaver logo), Roots Athletics Canada, Roots Genuine Leather and Beaver Canoe and are registered in over 40 countries and regions including Canada, the United States, Taiwan, China, Hong Kong, Japan, Taiwan and Australia. On a global basis, we have over 350 trademarks, which are either registered or pending, three Canadian copyright registrations and 45 domain name registrations. We intend to continue to strategically register, both domestically and internationally, trademarks, copyrights and domain names that we use today and those we develop in the

future. We are not currently aware of any material claims of infringement or challenges to our right to use any of our marks; however, we have a history of vigorously defending our trademarks and other intellectual property rights.

Corporate Structure

Roots Corporation was incorporated under the *Canada Business Corporations Act* (the “**CBCA**”) on October 14, 2015 in connection with the Acquisition. The Company’s head office is located at 1400 Castlefield Avenue, Toronto, Ontario, M6B 4C4.

The following chart identifies our subsidiaries (including jurisdiction of formation or incorporation of the various entities):



Note:

(1) Dormant entity.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected historical financial information as at and for Fiscal 2016, the Successor 2015 Period, the Predecessor 2015 Period and Fiscal 2014 has been derived from our consolidated financial statements, in each case, prepared in accordance with IFRS and included elsewhere in this prospectus which have been audited by our auditors, KPMG LLP. For the purpose of providing comparable information, we have prepared unaudited pro forma combined supplemental financial information for the combined Successor 2015 Period and Predecessor 2015 Period, both of which include pro forma adjustments and which we refer to herein as “Fiscal 2015”. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation”. The selected consolidated financial information set out below as at and for the 13- and 26-week periods ended July 29, 2017 and July 30, 2016 has been derived from our unaudited interim condensed consolidated financial statements prepared in accordance with IFRS applicable to the preparation of interim financial statements appearing elsewhere in this prospectus. The selected consolidated financial information set out below for the LTM, or 52-week trailing period ended July 29, 2017, has been derived from our consolidated financial statements for Fiscal 2016 and from our unaudited interim condensed consolidated financial statements for the 13- and 26-week period ended July 29, 2017.

Prospective investors should review this information in conjunction with the consolidated financial statements including the notes thereto, as well as “Non-IFRS Measures Including Retail Industry Metrics”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Proceeds to the Selling Shareholders”, “Consolidated Capitalization”, “Description of Material Indebtedness” and “Description of Share Capital” included elsewhere in this prospectus.

(in thousands of Canadian dollars)	Successor					Predecessor		Predecessor
	LTM	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016	Fiscal 2016	Successor 2015 Period	Predecessor 2015 Period	Fiscal 2015	Fiscal 2014
Consolidated Statements of Net Income:								
Sales	\$296,902	\$106,346	\$ 91,330	\$281,886	\$61,401	\$194,804	\$256,205	\$217,302
Cost of goods sold	134,046	49,384	50,071	134,733	38,796	89,172	116,924	94,272
Gross profit	162,856	56,962	41,259	147,153	22,605	105,632	139,281	123,030
Operating expenses								
Selling, general and administrative expenses	135,434	65,205	59,261	129,490	25,737	89,320	114,214	94,768
Income (loss) before the undernoted	27,422	(8,243)	(18,002)	17,663	(3,132)	16,312	25,067	28,262
Interest expense	6,050	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income (loss) before taxes	21,372	(11,223)	(21,044)	11,551	(4,388)	15,088	22,587	26,144
Income tax expense (recovery)	6,614	(2,884)	(6,132)	3,366	(910)	3,871	6,129	6,766
Net income (loss)	\$ 14,758	\$ (8,339)	\$(14,912)	\$ 8,185	\$ (3,478)	\$ 11,217	\$ 16,458	\$ 19,378

(in thousands of Canadian dollars)	As at July 29, 2017	As at January 28, 2017	As at January 30, 2016
Consolidated Statements of Financial Position Data:			
Cash	\$ 440	\$ 25,257	\$ 8,481
Inventories	45,221	32,682	38,418
Fixed assets	33,274	31,219	24,776
Intangible assets	205,963	208,541	214,107
Goodwill	52,705	52,705	47,421
Total assets	347,773	357,443	343,608
Long-term debt	119,559	104,459	108,019
Total liabilities	176,281	156,259	151,333
Total shareholders' equity	171,492	201,184	192,275

(in thousands of Canadian dollars, except per share amounts)	Fiscal 2016	2 Months	10 Months	Fiscal 2015 ⁽¹⁾	Fiscal 2014
Total assets	\$357,443	\$343,608	\$94,466	\$343,608	\$83,950
Non-current financial liabilities	\$124,885	\$123,533	\$ 4,060	\$123,533	\$ 4,562
Distributions declared per share ⁽³⁾	—	—	\$ 1.30	\$ 0.01 ⁽²⁾	—

Notes:

(1) Reflects the ending balance of the Successor for the period.

(2) Calculated based on the number of outstanding shares of the Successor as if such shares at the end of the period were outstanding for the entire period.

- (3) During Fiscal 2017, the Company paid a one-time shareholder distribution to the holders of its Class A Shares and Class B Shares in the aggregate amount of \$20 million (\$0.10 per share), as a return of stated capital, which was paid to our shareholders on May 2, 2017.

(in thousands of Canadian dollars)	Successor					Predecessor		Predecessor
	LTM	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016	Fiscal 2016	Successor 2015 Period	Predecessor 2015 Period	Fiscal 2015	Fiscal 2014
Reconciliation of Net Income (Loss) to Adjusted EBITDA:								
Net income (loss)	\$14,758	\$(8,339)	\$(14,912)	\$ 8,185	\$ (3,478)	\$11,217	\$ 7,739⁽²⁾	\$19,378
Adjustments to net income (loss):								
Interest expense	6,050	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income tax expense (recovery)	6,614	(2,884)	(6,132)	3,366	(910)	3,871	2,961	6,766
Depreciation and amortization	10,482	5,342	4,663	9,803	1,687	4,439	6,126	6,560
EBITDA	\$37,904	\$(2,901)	\$(13,339)	\$27,466	\$ (1,445)	\$20,751	\$19,306	\$34,822
Adjustments to EBITDA ⁽¹⁾ :								
COGS: Inventory costing adjustment	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments	1,199	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs	1,591	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs	45	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments	987	—	—	987	—	—	—	—
SG&A: Stock option expense	450	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items	1,357	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments	1,226	424	820	1,622	(231)	(508)	(739)	(947)
Adjusted EBITDA	\$44,759	\$ (382)	\$ (3,563)	\$41,578	\$13,835	\$24,145	\$37,980	\$36,001
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss):								
Net income (loss)	\$14,758	\$(8,339)	\$(14,912)	\$ 8,185	\$ (3,478)	\$11,217	\$ 7,739⁽²⁾	\$19,378
Adjustments to net income (loss) ⁽¹⁾ :								
COGS: Inventory costing adjustment	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments	1,199	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs	1,591	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs	45	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments	987	—	—	987	—	—	—	—
SG&A: Stock option expense	450	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items	1,357	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments	1,226	424	820	1,622	(231)	(508)	(739)	(947)
SG&A: Amortization of intangible assets acquired by Searchlight	3,849	1,898	1,857	3,808	626	—	626	—
Total adjustments	10,704	4,417	11,633	17,920	15,906	3,394	19,300	1,179
Tax effect of adjustments	(2,729)	(1,123)	(3,022)	(4,628)	(3,990)	(782)	(4,772)	(314)
Adjusted Net Income (Loss)	\$22,733	\$(5,045)	\$ (6,301)	\$21,477	\$ 8,438	\$13,829	\$22,267	\$20,243
Less: Pro Forma Interest Expense Adjustment ⁽¹⁾	—	—	—	—	—	(3,714)	(3,714)	(3,995)
Add: Tax Effect of Pro Forma Interest Expense Adjustment	—	—	—	—	—	990	990	1,065
Pro Forma Adjusted Net Income (Loss)	\$22,733	\$(5,045)	\$ (6,301)	\$21,477	\$ 8,438	\$11,105	\$19,543	\$17,313

Notes:

- (1) For a description of the adjustments referred to in the tables above, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)".
- (2) Net income (loss) in Fiscal 2015 refers to net income (loss) of the Company in respect of the Unaudited Combined Fiscal 2015 Period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Basis of Presentation".

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

The following Management's Discussion and Analysis ("MD&A") provides information concerning our financial condition and results of operations. This MD&A should be read in conjunction with our audited consolidated financial statements and unaudited interim condensed consolidated financial statements, including the related notes thereto, included elsewhere in this prospectus.

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 further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, net income or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including, "EBITDA", "Adjusted EBITDA", "Adjusted Net Income (Loss)", and "Pro Forma Adjusted Net Income (Loss)". This MD&A also refers to "comparable sales growth", a commonly used metric 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. The Company may exclude additional items, from time to time, if it believes doing so would result in a more effective analysis of our underlying operating performance.

Cautionary Note Regarding Forward-Looking Information

Some of the information contained in this MD&A contains forward-looking information. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and are made as of the date of this MD&A. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors" and elsewhere in this prospectus.

We caution investors that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Forward-looking Information" and "Risk Factors" elsewhere in this prospectus for a discussion of the risks, uncertainties and assumptions associated with these forward-looking statements.

Basis of Presentation

Our audited consolidated financial statements and unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS and are presented in thousands of Canadian dollars, unless otherwise indicated. Accordingly, all financial information in this MD&A is presented in

thousands of Canadian dollars, except for per share and per square foot data. Our fiscal year is the 52 or 53 week period ending the Saturday closest to the last day of January. The next 53 week fiscal year will occur in the fiscal year ending February 3, 2018 ("**Fiscal 2017**").

On October 14, 2015, Searchlight incorporated Roots Corporation under the laws of Canada and its subsidiary, Roots USA Corporation, under the laws of the State of Delaware. Pursuant to a purchase and sale agreement dated October 21, 2015, Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd., Roots U.S.A., Inc., Roots America L.P. and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015. The Acquisition was accounted for as a "business combination" in accordance with IFRS 3 *Business Combinations* ("**IFRS 3**") using the acquisition method of accounting.

The financial information in this MD&A that is derived from the audited consolidated financial statements of Roots for the period from October 14, 2015 (date of incorporation) to January 30, 2016 and in respect of the 52-week period ended January 28, 2017 ("**Fiscal 2016**") reflects our financial results based on the fair value of the assets acquired and liabilities assumed as at the date of the Acquisition. While the financial statements presented are for the period from October 14, 2015 (date of incorporation) to January 30, 2016, Roots had no financial activity prior to December 1, 2015 (the date of the Acquisition). Consequently, the audited consolidated financial statements of Roots (the "**Successor**") reflect the operations for the period from October 14, 2015 (date of incorporation) to January 30, 2016 and is referred to as "**2 Months**" or the "**Successor 2015 Period**", and the financial results for Fiscal 2016, which are collectively referred to as the "**Successor Financial Statements**" in this MD&A. Financial information presented in respect of periods prior to December 1, 2015 reflect the operations under the ownership structure of the entity formerly named "Roots Canada Ltd." (the "**Predecessor**"). The audited consolidated financial statements of the Predecessor for the period from February 1, 2015 to November 30, 2015 (referred to as "**10 Months**" or the "**Predecessor 2015 Period**") and the 52-week period ended January 31, 2015 ("**Fiscal 2014**") are collectively referred to as the "**Predecessor Financial Statements**" in this MD&A. The Successor Financial Statements reflect a basis of accounting that is based on the fair value of the assets acquired and liabilities assumed as of the effective time of the Acquisition. The Predecessor Financial Statements represent the operations of the Predecessor prior to any fair value adjustments.

For the purpose of providing comparable information, we have prepared unaudited pro forma supplemental financial information in respect of Fiscal 2016 (the "**Unaudited Pro Forma 2016 Period**") and unaudited pro forma combined supplemental financial information for the combined 2 Months and 10 Months ("**Fiscal 2015**"), both of which include pro forma adjustments as described below. The combined 2 Months and 10 Months, excluding the effect of such pro forma adjustments, are referred to in this MD&A as the "**Unaudited Combined 2015 Period**".

As the effective date of the Acquisition was December 1, 2015, Fiscal 2015 includes the 303 days of operations of the Predecessor and the 61 days of operations of the Successor. Accordingly, the Company's retained deficit as at January 30, 2016, and the Company's retained earnings as at January 28, 2017 represent only the results of operations effective December 1, 2015. In this MD&A, Predecessor and Successor periods have been separated by a black line to highlight the fact that the financial information in respect of such periods has been prepared under two different bases of accounting.

Fiscal 2015 does not purport to represent what our actual consolidated results of operations would have been had the Acquisition actually occurred on February 1, 2015, nor is it necessarily indicative of future consolidated results of operations. Fiscal 2015, the Unaudited Combined 2015 Period, and the Unaudited Pro Forma 2016 Period discussed in this MD&A are for informational purposes only.

All references in this MD&A to "Q2 2017" are to our fiscal quarter for the 13 week period ended July 29, 2017 and all references to "Q2 2016" are to our fiscal quarter for the 13 week period ended July 30, 2016. All references in this MD&A to "YTD 2017" or "year-to-date 2017" are to the 26 week period ended July 29, 2017 and all references to "YTD 2016" or "year-to-date 2016" are to the 26 week period ended July 30, 2016.

The pro forma adjustments in respect of the Unaudited Pro Forma 2016 Period are summarized in the table below:

CAD\$000s	Fiscal 2016	Pro Forma Adjustments	Unaudited Pro Forma 2016 Period
Sales	281,886	—	281,886
Cost of goods sold	134,733	(5,775) ^(a)	128,958
Gross Profit	147,153	5,775	152,928
Selling, general and administrative expenses	129,490	(5,128) ^{(b)(c)}	124,362
Income before the undernoted	17,663	10,903	28,566
Interest expense	6,112	—	6,112
Income before income taxes	11,551	10,903	22,454
Income tax expense	3,366	2,906	6,272
Net income	8,185	7,997	16,182

Notes:

- Represents the fair value step-up of inventory on hand at the time of the Acquisition. The amount sold through in Fiscal 2016 has been removed from cost of goods sold.
- Represents the amortization on the acquired lease intangible on the date of Acquisition. The amounts amortized during Fiscal 2016 have been excluded from selling, general and administrative expenses ("SG&A expenses").
- 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 a useful life ranging from four to 13 years were recognized. The amortization related to these intangibles during Fiscal 2016 have been excluded from SG&A expenses.

The pro forma adjustments in respect of Fiscal 2015 are summarized in the table below:

CAD\$000s	10 Months	2 Months	Unaudited Combined 2015 Period	Pro Forma Adjustments	Fiscal 2015
Sales	194,804	61,401	256,205	—	256,205
Cost of goods sold	89,172	38,796	127,968	(11,044) ^(a)	116,924
Gross Profit	105,632	22,605	128,237	11,044	139,281
Selling, general and administrative expenses	89,320	25,737	115,057	(843) ^{(b)(c)}	114,214
Income (loss) before the undernoted	16,312	(3,132)	13,180	11,887	25,067
Interest expense	1,224	1,256	2,480	—	2,480
Income (loss) before taxes	15,088	(4,388)	10,700	11,887	22,587
Income tax expense (recovery)	3,871	(910)	2,961	3,168	6,129
Net income (loss)	11,217	(3,478)	7,739	8,719	16,458

Notes:

- Represents the fair value step-up of inventory on hand at the time of the Acquisition. The amount sold through during the 2 Months has been removed from cost of goods sold.
- Represents the amortization on the acquired lease intangible on the date of Acquisition. The amounts amortized during the 2 Months have been excluded from SG&A expenses.
- 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 a useful life ranging from four to 13 years were recognized. The amortization related to these intangibles during the 2 Months have been excluded from SG&A expenses.

Overview

Through our omni-channel footprint of 116 corporate retail stores in Canada, 4 corporate retail stores in the United States, 109 partner-operated stores in Taiwan, 27 partner-operated stores in China and an

e-commerce platform that shipped to 54 countries in Fiscal 2016, we have been able to reach customers around the world. Our vertical integration and diverse product portfolio have also allowed us to develop strong brand loyalty among our consumers and attract a broad customer demographic.

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 are discussed below and in the “Risk Factors” section of this prospectus.

Our Brand

Roots is an iconic Canadian brand with a rich heritage and a portfolio of premium apparel, leather goods, accessories and footwear products. Our brand is well known in Canada with growing customer awareness internationally. Maintaining and growing our brand awareness is critical to our continued success. 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 intend to continue our relentless focus on the customer with insights-driven designs, while leveraging recent operational investments, pursuing continued growth in Canada, expanding our United States and international footprint and deepening our leather and footwear product offerings to continue to attract customers in both existing and new markets.

Growth in our Omni-Channel Business

The success of our business is heavily dependent on our ability to continue to drive strong comparable sales in our DTC segment and grow our omni-channel footprint. This includes renovating and expanding our existing corporate retail stores, leveraging our e-commerce capabilities and selectively expanding our store base in both Canada and the United States. Our ability to successfully execute on our omni-channel strategy is an important driver of our longer-term growth.

Growth in the Business of our International Operating Partners

The success of our 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 and to generate royalty revenue from our partner's retail sales of Roots-branded products depend on our partner continuing to grow its business. Our partner's ability to successfully execute on its omni-channel strategy and our ability to support our partner in this growth will impact the performance of our business. In addition, the success of our business is dependent on our ability to develop successful relationships with other international operating partners and support them in the growth of their retail and online sales of Roots-branded products.

Product Development

We are not defined by one product, season or geography. With nearly five decades of product leadership, we offer a range of products diversified across seasons and spanning 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. Our business will be impacted by our ability to continue to develop products that resonate with consumers. In this regard, we have made significant investments in our merchandising team, including the establishment of UBR which we expect will help us to continue supporting the growth of our business. As we introduce additional products, we also expect that they will help mitigate the seasonal nature of our business 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. This year, we entered into hedging arrangements to help mitigate the risks 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 the financial results of 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 fiscal years is outlined in the following table:

First fiscal quarter	15%
Second fiscal quarter	15%
Third fiscal quarter	29%
Fourth fiscal quarter	41%
Annual Total	100%

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 segment gross profit. Our DTC segment comprises sales through our corporate retail stores and e-commerce. Our Partners and Other segment consists primarily of the wholesale of Roots-branded products to our international operating partner and the royalties earned on the retail sales of Roots-branded products by our partner. Our Partners and Other segment also consists of 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.

Our DTC and Partners and Other segments contributed 86.7% and 13.3% of our sales, respectively, in Fiscal 2016. Year-to-date 2017, the DTC and Partners and Other segments represented 81.9% and 18.1% of our sales, respectively (YTD 2016: 81.9% and 18.1%, respectively).

Components of our Results of Operations and Trends Affecting our Business

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

Sales

Sales in our DTC segment consist of sales through our corporate retail stores in North America and through our e-commerce operations. Sales through our corporate retail stores and e-commerce operations are recognized upon delivery of the goods to the customer and when collection is reasonably assured, net of a provision for returns.

Sales in our Partners and Other segment consist of wholesale sales to retail partners and distributors of our products, and royalty revenue earned from partner sales. Wholesale sales from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the retail partner or distributor which, depending on the terms of the agreement, is either at the time of shipment from our manufacturers or upon arrival at the partner’s facilities. Royalty sales are earned upon the partner’s sale of Roots-branded goods to its customers.

Gross Profit

Gross profit is our sales less cost of goods sold. Cost of goods sold includes the cost of purchasing our products from manufacturers, including direct purchase costs, freight costs, and duty and non-refundable

taxes. For select leather and footwear 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.

The primary driver of our cost of goods sold is the cost of purchased products from our manufacturers, which is predominantly sourced in Canadian dollars and U.S. dollars. In Fiscal 2017, we implemented a hedging program to manage our foreign currency risk related to U.S. dollar inventory purchases. See “Financial Instruments”.

Selling, General and Administrative Expenses

SG&A expenses consist of selling costs to deliver our products to our consumers, depreciation of store and e-commerce assets, and costs incurred to support the relationships with our retail partners and distributors. SG&A expenses also includes our marketing and brand investment activities, and the corporate infrastructure required to support our ongoing business. In addition, in connection with the Offering, we expect to incur transaction costs and share-based compensation expenses and, following the Offering, we anticipate an increase to accounting, legal and professional fees associated with operating as a public company that will be reflected in our SG&A expenses going forward.

Selling costs as a percentage of sales is 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 portion of these costs are relatively fixed. We expect our selling costs to increase as we continue to open new stores, grow our e-commerce business and increase our marketing and brand investment activities.

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. It also includes depreciation and amortization expenses for all support office assets and intangible assets.

We have invested heavily in this area to support the growing volume and complexity of our business and anticipate continuing to do so in the future. As we continue to grow, we anticipate that we will be able to scale our investments and leverage our fixed costs.

Foreign exchange gains and losses are recorded in SG&A expenses and comprise translation of monetary assets and liabilities denominated in currencies other than the functional currency of the entity.

Interest Expense

Interest expense relates to our Term Credit Facility and our Revolving Credit Facility. See “Financial Condition, Liquidity and Capital Resources – Indebtedness”.

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax 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. The primary regions that determine the effective tax rate are Canada and the United States. Over the long-term, we expect our annual effective income tax rate to be, on average, approximately 27%, subject to changes to income tax rates and legislation in the jurisdictions in which we operate.

Results of Operations

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for Fiscal 2014, 10 Months, 2 Months, and Fiscal 2016 have been derived from our audited consolidated financial statements and related notes. The selected

consolidated financial information set out below for YTD 2016 and YTD 2017 have been derived from our unaudited interim condensed consolidated financial statements and related notes.

CAD\$000s	Successor						Predecessor	Predecessor	
	Q2 2017	Q2 2016	YTD 2017	YTD 2016	Fiscal 2016	2 Months	10 Months	Fiscal 2015	Fiscal 2014
Sales	58,115	46,588	106,346	91,330	281,886	61,401	194,804	256,205	217,302
Cost of goods sold	27,111	23,426	49,384	50,071	134,733	38,796	89,172	116,924	94,272
Gross Profit	31,004	23,162	56,962	41,259	147,153	22,605	105,632	139,281	123,030
Selling, general and administrative expenses	33,775	28,748	65,205	59,261	129,490	25,737	89,320	114,214	94,768
Income (loss) before the undernoted	(2,771)	(5,586)	(8,243)	(18,002)	17,663	(3,132)	16,312	25,067	28,262
Interest expense	1,592	1,416	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income (loss) before taxes	(4,363)	(7,002)	(11,223)	(21,044)	11,551	(4,388)	15,088	22,587	26,144
Income tax expense (recovery)	(1,137)	(2,040)	(2,884)	(6,132)	3,366	(910)	3,871	6,129	6,766
Net income (loss)	(3,226)	(4,962)	(8,339)	(14,912)	8,185	(3,478)	11,217	16,458	19,378

The following table provides selected financial position data for the periods and years indicated.

Consolidated Statement of Financial Position Data:

CAD\$000s (except per share amounts)	Fiscal 2016	2 Months	10 Months	Fiscal 2015 ⁽¹⁾	Fiscal 2014
Total assets	\$357,443	\$343,608	\$94,466	\$343,608	\$83,950
Non-current financial liabilities	\$124,885	\$123,533	\$ 4,060	\$123,533	\$ 4,562
Distributions declared per share	—	—	\$ 1.30	\$ 0.01 ⁽²⁾	—

Notes:

(1) Reflects the ending balance of the Successor for the period.

(2) Calculated based on the number of outstanding shares of the Successor as if such shares at the end of the period were outstanding for the entire period.

Fiscal Quarter and Year-to-Date Period Ended July 29, 2017 compared to the Fiscal Quarter and Year-to-Date Period Ended July 30, 2016

The following section provides an overview of our financial performance during Q2 2017 compared to Q2 2016 and YTD 2017 compared to YTD 2016.

Sales

Sales were \$58,115 in Q2 2017 as compared to \$46,588 in Q2 2016, representing an increase of \$11,527 or 24.7%.

Sales in the DTC segment increased 25.2% or \$9,394 in Q2 2017 as compared to Q2 2016. This growth was primarily driven by comparable sales growth of 16.3% and the opening of six net new stores since Q2 2016.

Sales in the Partners and Other segment increased by 22.8% or \$2,133 in Q2 2017 as compared to Q2 2016, which results from the opening of twelve net new stores in Asia by our partner since Q2 2016.

Year-to-date 2017 sales were \$106,346 as compared to \$91,330 year-to-date 2016, representing an increase of \$15,016 or 16.4%.

Year-to-date 2017 sales in the DTC segment increased 16.5% or \$12,367 as compared to year-to-date 2016. Year-to-date growth in the DTC segment was primarily driven by comparable sales growth of 9.8% and the opening of six net new stores since Q2 2016.

Sales in the Partners and Other segment increased by 16.0% or \$2,649 during year-to-date 2017 as compared to year-to-date 2016, which resulted from the opening of 12 net new stores in Asia by our partner since Q2 2016.

Gross Profit

Gross Profit was \$31,004 in Q2 2017 as compared to \$23,162 in Q2 2016, representing an increase of \$7,842 or 33.9%. Gross profit in the DTC segment increased 37.5% or \$7,465 in Q2 2017 as compared to Q2 2016. The rise in gross profit in the DTC segment was primarily driven by the growth of sales in Q2 2017, improved product costing and a more favourable product mix. Gross profit in the Partners and Other segment increased by 11.7% or \$377 in Q2 2017 as compared to Q2 2016. The growth in gross profit in this segment was primarily driven by an increase in wholesale sales to our international operating partner.

Gross Profit was \$56,962 during year-to-date 2017 as compared to \$41,259 in year-to-date 2016, representing an increase of \$15,703 or 38.1%. Gross profit in the DTC segment increased by 42.8% or \$15,062 during year-to-date 2017 as compared to the same period in the prior fiscal year. Excluding \$5,775 from the fair value step-up of inventory from the Acquisition in year-to-date 2016 (year-to-date 2017: \$nil), gross profit in the DTC segment increased 22.7% or \$9,287 during year-to-date 2017 as compared to the same period in the prior fiscal year, which was primarily driven by the growth of sales during year-to-date 2017, improved product costing and a more favourable product mix. Gross profit in the Partners and Other segment increased by 10.5% or \$641 during year-to-date 2017 as compared to the same period in the prior fiscal year. The growth in gross profit in this segment was primarily driven by the growth in wholesale sales to our international operating partner.

Selling, General and Administrative Expenses

SG&A expenses were \$33,775 in Q2 2017 as compared to \$28,748 in Q2 2016, representing an increase of \$5,027 or 17.5%. This increase primarily reflects increased selling costs from the growth in sales, a rise in occupancy costs and personnel costs relating to new store openings, higher advertising investments to support branding, and increased head office headcount. Foreign exchange losses resulting from the revaluation of the U.S. dollar monetary assets accounted for \$1,815 of the increase in SG&A expenses in Q2 2017 as compared to Q2 2016.

SG&A expenses were \$65,205 during year-to-date 2017 as compared to \$59,261 in year-to-date 2016, representing an increase of 10.0% or \$5,944. This increase primarily reflects increased selling costs from the growth in sales, a rise in occupancy costs and personnel costs relating to new store openings, higher advertising investments to support branding, and increased head office headcount. Foreign exchange losses resulting from the revaluation of the U.S. dollar monetary assets accounted for \$451 of the increase in SG&A expenses during year-to-date 2017 as compared to year-to-date 2016.

Interest Expense

Interest expense was \$1,592 in Q2 2017 as compared to \$1,416 in Q2 2016, representing an increase of \$176 or 12.4%. The increase in interest expense related primarily to incremental debt drawn from the Revolving Credit Facility during Q2 2017 relative to Q2 2016.

Year-to-date 2017, interest expense was \$2,980 as compared to \$3,042 for the same period in the prior fiscal year, representing a decrease of 2.0% or \$62. The decrease in interest expense is primarily related to the lower effective interest rate paid on the Company's outstanding debt.

Income Tax Recovery

Income tax recovery was \$1,137 in Q2 2017 as compared to \$2,040 in Q2 2016, representing a decrease of \$903 or 44.3%. The effective tax recovery rate for Q2 2017 was 26.1% as compared to 29.1%

in Q2 2016. The change in the income tax recovery is mainly attributable to non-deductible expenses incurred in Q2 2017 compared to Q2 2016.

Year-to-date 2017, income tax recovery was \$2,884 as compared to \$6,132 for the same period in the prior fiscal year. The effective tax recovery rate during year-to-date 2017 was 25.7% as compared to 29.1% in year-to-date 2016. The change in the income tax recovery rate results from non-deductible expenses incurred in year-to-date 2017 compared to year-to-date 2016.

Net Loss

Net loss was \$3,226 in Q2 2017 as compared to \$4,962 in Q2 2016, representing a decrease of \$1,736 or 35.0%. The decrease in net loss results from the factors described above.

Year-to-date 2017, net loss was \$8,339, as compared to \$14,912 in year-to-date 2016, representing a decrease of \$6,573 or 44.1%. The decrease in net loss results from the factors described above.

Fiscal 2016 compared to the Predecessor 2015 Period and the Successor 2015 Period, and comparison of the Unaudited Pro Forma 2016 Period to Fiscal 2015

The following section provides an overview of our financial performance during Fiscal 2016 compared to the Predecessor 2015 Period and the Successor 2015 Period. The Acquisition was accounted for as a “business combination” in accordance with IFRS 3 and the resulting new basis of accounting is reflected in our consolidated financial statements for financial operations beginning on or after December 1, 2015. As a result, and to provide a more meaningful comparison, we are also presenting a supplementary comparison of the Unaudited Pro Forma 2016 Period to Fiscal 2015. Except for the specific pro forma adjustments made to arrive at the Unaudited Pro Forma 2016 Period and Fiscal 2015, the underlying drivers for the change in Fiscal 2016 as compared to Fiscal 2015 are the same.

Sales

Sales were \$281,886 in Fiscal 2016 and the Unaudited Pro Forma 2016 Period, compared to \$194,804 for the Predecessor 2015 Period and \$61,401 for the Successor 2015 Period, or \$256,205 for Fiscal 2015. This represents a 10.0% increase in Fiscal 2016, as compared to Fiscal 2015. The sales increase was primarily driven by stronger DTC sales, which drove comparable sales growth of 8.3%, and the opening of three net new stores during Fiscal 2016.

Gross Profit

Gross profit was \$147,153 in Fiscal 2016 and \$152,928 for the Unaudited Pro Forma 2016 Period, compared to \$105,632 in the Predecessor 2015 Period and \$22,605 in the Successor 2015 Period, or \$139,281 for Fiscal 2015. The change in gross profit represents an increase of 9.8% in the Unaudited Pro Forma 2016 Period, as compared to Fiscal 2015. The change in gross profit corresponds directly to our sales growth in Fiscal 2016.

Selling, General and Administrative Expenses

SG&A expenses were \$129,490 in Fiscal 2016 and \$124,362 for the Unaudited Pro Forma 2016 Period, compared to \$89,320 in the Predecessor 2015 Period and \$25,737 in the Successor 2015 Period, or \$114,214 for Fiscal 2015. Compared to Fiscal 2015, SG&A expenses in the Unaudited Pro Forma 2016 Period increased by 8.9%. SG&A expenses include costs related to the Acquisition in the amount of \$315 in the Unaudited Pro Forma 2016 Period and \$5,538 in Fiscal 2015. Excluding these costs, SG&A expenses increased by 14.1% in the Unaudited Pro Forma 2016 Period compared to Fiscal 2015. This increase in costs mainly reflects higher selling costs driven by the growth in sales, a rise in occupancy costs and personnel costs relating to new store openings during the period. The increase in expenses also reflects significant investments in head office headcount following the Acquisition.

Interest Expense

Interest expense was \$6,112 in Fiscal 2016 and for the Unaudited Pro Forma 2016 Period, compared to \$1,224 in the Predecessor 2015 Period and \$1,256 in the Successor 2015 Period, or \$2,480 in Fiscal 2015. The higher interest expense in Fiscal 2016 relative to Fiscal 2015 primarily results from incremental debt relating to financing the Acquisition.

Income Tax Expense (Recovery)

Income tax expense was \$3,366 in Fiscal 2016 and \$6,272 for the Unaudited Pro Forma 2016 Period, compared to \$3,871 in the Predecessor 2015 Period and an income tax recovery of \$(910) in the Successor 2015 Period, or income tax expense of \$6,129 in Fiscal 2015. The effective tax (recovery) rate for each of Fiscal 2016, the Unaudited Pro Forma 2016 Period, the Successor 2015 Period, the Predecessor 2015 Period, and Fiscal 2015 was 29.1%, 27.9%, (20.7%), 25.7% and 27.1%, respectively. The increase in the income tax expense rate results from the increase in non-deductible SG&A expenses incurred in Fiscal 2016 compared to Fiscal 2015.

Net Income (Loss)

Net income was \$8,185 in Fiscal 2016 and \$16,182 in the Unaudited Pro Forma 2016 Period, compared to \$11,217 in the Predecessor 2015 Period and a net loss of \$(3,478) in the Successor 2015 Period, or net income of \$16,458 in Fiscal 2015. The change in net income results from the factors described above.

The Predecessor 2015 Period and the Successor 2015 Period compared to Fiscal 2014, and a comparison of Fiscal 2015 to Fiscal 2014

The following section provides an overview of our financial performance during the Predecessor 2015 Period and the Successor 2015 Period compared to Fiscal 2014. The Acquisition was accounted for as a “business combination” in accordance with IFRS 3 and the resulting new basis of accounting is reflected in our consolidated financial statements for all periods beginning on or after December 1, 2015. As a result, and to provide a more meaningful comparison, we are also presenting a supplementary comparison of Fiscal 2015 to Fiscal 2014. Except for the specific pro forma adjustments made to arrive at Fiscal 2015, the underlying drivers for the change in Fiscal 2015 as compared to Fiscal 2014 are the same.

Sales

Sales were \$194,804 for the Predecessor 2015 Period and \$61,401 for the Successor 2015 Period, or \$256,205 for Fiscal 2015, as compared to sales of \$217,302 in Fiscal 2014. This represents a 17.9% increase in Fiscal 2015 compared to Fiscal 2014. The growth in sales was primarily driven by comparable sales growth of 14.2%, the opening of two net new corporate retail stores in Canada, and the opening of five net new stores in Asia by our international operating partner during Fiscal 2015.

Gross Profit

Gross profit was \$105,632 in the Predecessor 2015 Period and \$22,605 in the Successor 2015 Period, or \$139,281 in Fiscal 2015, as compared to \$123,030 in Fiscal 2014. This represents a 13.2% increase in gross profit during Fiscal 2015 as compared to Fiscal 2014. The primary driver of the increase in gross profit was growth in sales and lower unit costs before foreign currency impacts, partially offset by the negative effect of the weaker Canadian dollar on purchases.

Selling, General and Administrative Expenses

SG&A expenses were \$89,320 in the Predecessor 2015 Period and \$25,737 in the Successor 2015 Period, or \$114,214 in Fiscal 2015, as compared to \$94,768 in Fiscal 2014. This represents a 20.5% increase in SG&A expenses during Fiscal 2015 as compared to Fiscal 2014. SG&A expenses in Fiscal 2015 includes \$5,538 in costs related to the Acquisition compared to \$nil in Fiscal 2014. Excluding these costs,

SG&A expenses increased 14.7% between Fiscal 2014 and Fiscal 2015. The increase in SG&A expenses primarily reflects higher selling costs driven by the growth in sales and a rise in occupancy costs and personnel costs relating to the new store openings.

Interest Expense

Interest expense was \$1,224 in the Predecessor 2015 Period and \$1,256 in the Successor 2015 Period, or \$2,480 in Fiscal 2015, as compared to \$2,118 in Fiscal 2014. The higher interest expense results primarily from incremental debt relating to financing the Acquisition incurred on December 1, 2015.

Income Tax Expense (Recovery)

Income tax expense was \$3,871 in the Predecessor 2015 Period and an income tax recovery of \$(910) in the Successor 2015 Period, or income tax expense of \$6,129 in Fiscal 2015 compared to income tax expense of \$6,766 in Fiscal 2014. The effective tax (recovery) rate for the Predecessor 2015 Period, the Successor 2015 Period, Fiscal 2015, and Fiscal 2014 was 25.7%, (20.7%), 27.1% and 25.9%, respectively. The change in the income tax rate results from changes in non-deductible expenses.

Net Income (Loss)

Net income was \$11,217 in the Predecessor 2015 Period and a net loss of \$(3,478) in the Successor 2015 Period, or net income of \$16,458 in Fiscal 2015, as compared to net income of \$19,378 in Fiscal 2014. The change in net income results from 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, other than comparable sales growth and the Q4 2015 earnings per share referenced in the note below, 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)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015^(a)	Q3 2015^(b)
Unaudited								
Sales	58,115	48,231	111,172	79,384	46,588	44,742	97,547	78,012
Net Income (Loss)	(3,226)	(5,113)	17,194	5,903	(4,962)	(9,950)	2,945	9,099
Net Earnings (Loss) per Share:								
Basic	\$ (0.02)	\$ (0.03)	\$ 0.09	\$ 0.03	\$ (0.03)	\$ (0.05)	\$ 0.02	\$ 9.10
Diluted	\$ (0.02)	\$ (0.03)	\$ 0.09	\$ 0.03	\$ (0.03)	\$ (0.05)	\$ 0.02	\$ 9.10
Other Performance Measures								
Comparable sales growth	16.3%	3.3%	9.3%	2.7%	11.9%	13.3%	13.9%	18.3%
Corporate stores, end of period	120	118	117	116	114	114	114	115

Notes:

- Q4 2015 is comprised of 30 days of operations from the Predecessor and 61 days of operations from the Successor. The basic and diluted earnings per share for Q4 2015 were calculated based on the net earnings of the Predecessor from November 1, 2015 to November 30, 2015 and the net earnings of the Successor from December 1, 2015 to January 30, 2016, over the weighted average outstanding shares of the Successor as if the shares were outstanding for the entire quarter. As such, this is not an IFRS measure as it is derived from combining financial information of the Predecessor and the Successor.
- The basic and diluted earnings per share for Q3 2015 were calculated based on the Q3 2015 net earnings of the Predecessor over the weighted average outstanding shares of the Predecessor.

EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)

The table below illustrates our EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss) for the periods presented:

CAD\$000s	Q2 2017	Q2 2016	YTD 2017	YTD 2016	Fiscal 2016	2 Months	10 Months	Fiscal 2015	Fiscal 2014
EBITDA	(44)	(3,291)	(2,901)	(13,339)	27,466	(1,445)	20,751	19,306	34,822
Adjusted EBITDA	1,350	(1,147)	(382)	(3,563)	41,578	13,835	24,145	37,980	36,001
Adjusted Net Income (Loss)	(1,429)	(2,670)	(5,045)	(6,301)	21,477	8,438	13,829	22,267	20,243
Pro Forma Adjusted Net Income (Loss)	(1,429)	(2,670)	(5,045)	(6,301)	21,477	8,438	11,105	19,543	17,313

See “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” in this MD&A.

Reconciliation of Net Income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss)

The tables below illustrate a reconciliation of net income to EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss) for the periods presented:

CAD\$000s	Q2 2017	Q2 2016	YTD 2017	YTD 2016	Fiscal 2016	2 Months	10 Months	Fiscal 2015 ^(k)	Fiscal 2014
Net income (loss)	(3,226)	(4,962)	(8,339)	(14,912)	8,185	(3,478)	11,217	7,739	19,378
<i>Add the impact of:</i>									
Interest Expense	1,592	1,416	2,980	3,042	6,112	1,256	1,224	2,480	2,118
Income tax expense (recovery)	(1,137)	(2,040)	(2,884)	(6,132)	3,366	(910)	3,871	2,961	6,766
Depreciation and amortization	2,727	2,295	5,342	4,663	9,803	1,687	4,439	6,126	6,560
EBITDA	(44)	(3,291)	(2,901)	(13,339)	27,466	(1,445)	20,751	19,306	34,822
<i>Add the impact of:</i>									
COGS: Inventory costing adjustment ^(a)	—	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments ^(b)	252	316	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs ^(c)	619	685	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs ^(d)	—	185	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments ^(e)	—	—	—	—	987	—	—	—	—
SG&A: Stock option expense ^(f)	93	127	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments ^(g)	—	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items ^(h)	287	421	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments ⁽ⁱ⁾	143	410	424	820	1,622	(231)	(508)	(739)	(947)
Adjusted EBITDA	1,350	(1,147)	(382)	(3,563)	41,578	13,835	24,145	37,980	36,001

CAD\$000s	Q2 2017	Q2 2016	YTD 2017	YTD 2016	Fiscal 2016	2 Months	10 Months	Fiscal 2015 ^(k)	Fiscal 2014
Net income (loss)	(3,226)	(4,962)	(8,339)	(14,912)	8,185	(3,478)	11,217	7,739	19,378
<i>Add the impact of:</i>									
COGS: Inventory costing adjustment ^(a)	—	—	—	—	—	—	—	—	1,221
COGS/SG&A: Purchase accounting adjustments ^(b)	252	316	509	6,406	7,096	11,260	—	11,260	—
SG&A: Shareholder fees and related costs ^(c)	619	685	725	909	1,775	381	2,068	2,449	2,148
SG&A: Transaction costs ^(d)	—	185	29	299	315	3,704	1,834	5,538	—
SG&A: Fixed asset impairments ^(e)	—	—	—	—	987	—	—	—	—
SG&A: Stock option expense ^(f)	93	127	195	219	474	9	—	9	—
SG&A: Proceeds from lease amendments ^(g)	—	—	—	—	—	—	—	—	(2,000)
SG&A: Other non-recurring items ^(h)	287	421	637	1,123	1,843	157	—	157	757
SG&A: Non-cash rent adjustments ⁽ⁱ⁾	143	410	424	820	1,622	(231)	(508)	(739)	(947)
SG&A: Amortization of intangible assets acquired by Searchlight ^(j)	1,022	918	1,898	1,857	3,808	626	—	626	—
Total adjustments	2,416	3,062	4,417	11,633	17,920	15,906	3,394	19,300	1,179
Tax effect of adjustments	(619)	(770)	(1,123)	(3,022)	(4,628)	(3,990)	(782)	(4,772)	(314)
Adjusted Net Income (Loss)	(1,429)	(2,670)	(5,045)	(6,301)	21,477	8,438	13,829	22,267	20,243
Less: Pro Forma Interest Expense Adjustment ^(l)	—	—	—	—	—	—	(3,714)	(3,714)	(3,995)
Add: Tax Effect of Pro Forma Interest Expense Adjustment	—	—	—	—	—	—	990	990	1,065
Pro Forma Adjusted Net Income (Loss)^(m)	(1,429)	(2,670)	(5,045)	(6,301)	21,477	8,438	11,105	19,543	17,313

Notes:

- (a) Represents differences in the recorded cost in respect of leather inventory relating to financial years prior to Fiscal 2014. These deficiencies were corrected in Fiscal 2014, resulting in a reduction in net income even though such adjustments related to prior financial periods.
- (b) In connection with the Acquisition, we recognized acquired inventory at fair value, which included a mark-up for profit. Recording inventory at fair value in purchase accounting had the effect of increasing inventory and therefore will increase cost of goods sold in subsequent periods as compared to the amounts we would have recognized if inventory was sold through at cost. A portion of this inventory was sold in Fiscal 2016 and has impacted net income and EBITDA during this period. As a result of the Acquisition, we also recognized an intangible asset for lease arrangements in the amount of \$6,310, which is amortized over the life of the leases and included in SG&A expenses.
- (c) Represents the amount paid pursuant to the management agreement with Searchlight and consulting agreements with the Founders and certain of their family members for ongoing consulting and other services. In connection with the Offering, the management agreement and Founder consulting services will be terminated, and neither Searchlight nor the Founders and their family members will receive fees from us in relation thereto. See "Related Party Transactions".
- (d) In connection with the Acquisition, we incurred expenses related to professional fees, legal, consulting, and accounting that would otherwise not have been incurred. These fees are not indicative of our ongoing costs and we expect they will discontinue following the completion of the Offering.
- (e) Represents an impairment charge taken against certain leasehold improvements for stores where the forecast cash flows were deemed to be below the carrying value.
- (f) Represents non-cash share-based compensation expense in respect of the Legacy Equity Incentive Plan and the Legacy Employee Option Plan.
- (g) Represents a one-time payment received by the Company for the early termination of a corporate store lease in Fiscal 2014.
- (h) Predominately represents expenses incurred to recruit the existing management team, consulting fees to brand consultants, consulting fees related to distribution, and the loss on the transfer of a mortgage.
- (i) Under IFRS, we are required to recognize rent expense on a straight-line basis over the life of the lease. This adjustment removes the portion of the straight-line rent adjustment that is non-cash expense in the applicable financial period.
- (j) 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 a useful life ranging from four to thirteen years were recognized.
- (k) The net income in Fiscal 2015 corresponds to the Unaudited Combined 2015 Period as defined in the "Basis of Presentation" section of this MD&A. The pro forma adjustments used in the basis of presentation table to arrive at Fiscal 2015 are included in notes (a) to (j) above.
- (l) In connection with the Acquisition, we entered into a secured credit agreement with a syndicate of lenders to provide an initial term loan for an aggregate principal amount of \$111,000 and a revolving credit line. See "Financial Condition, Liquidity and Capital Resources – Indebtedness" below. As a result, additional interest expense was incurred beginning in the 2 Months period that was not incurred in the periods covered by the Predecessor Financial Statements. The pro forma interest expense adjustment increases the interest expense from the Predecessor Financial Statement periods to that incurred in Fiscal 2016, as if the same capital structure was present throughout all comparable periods.

- (m) To improve the comparability of the historical operating results, the Pro Forma Adjusted Net Income (Loss) figures presented in the table above reflect the net income (loss) for all comparable periods, adjusted for all items noted in (a) to (j) above and the pro forma interest expense adjustment noted in (l) above.

Financial Condition, Liquidity and Capital Resources

Overview

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 future debt service requirements. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. However, our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Risks and Uncertainties” and “Factors Affecting our Performance” in this MD&A and “Risk Factors” in this prospectus.

Cash Flows

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

	Q2	Q2	YTD	YTD	Fiscal	2		Unaudited Combined	
CAD\$000s	2017	2016	2017	2016	2016	Months	10 Months	2015 Period	Fiscal 2014
Net cash generated from (used in) operating activities	(12,132)	(4,301)	(16,533)	(15,719)	30,068	11,889	(5,601)	6,288	31,274
Net cash generated from (used in) financing activities	(9,001)	5,612	(5,241)	8,475	(3,913)	264,360	(1,736)	262,624	(14,325)
Net cash generated from (used in) investing activities	(2,625)	(2,634)	(4,451)	(4,227)	(12,049)	(265,098)	(4,794)	(269,892)	(4,773)
Increase (decrease) in cash and cash equivalents	(23,758)	(1,323)	(26,225)	(11,471)	14,106	11,151	(12,131)	(980)	12,176

Analysis of Cash Flows for the Fiscal Quarter and Year-to-Date Period Ended July 29, 2017 compared to the Fiscal Quarter and Year-to-Date Period Ended July 30, 2016

Cash Flows used in Operations

For Q2 2017 and YTD 2017, cash flows used in operating activities totalled \$(12,132) and \$(16,533), respectively, compared to \$(4,301) and \$(15,719) in Q2 2016 and YTD 2016, respectively. The increase in cash flows used in operations is attributable to greater investments in inventory and the timing of certain working capital balances, partially offset by higher income levels.

Cash Flows used in/from Financing Activities

For Q2 2017 and YTD 2017, cash flows from (used in) financing activities amounted to \$(9,001) and \$(5,241), respectively, compared to cash flow generation of \$5,612 and \$8,475 in Q2 2016 and YTD 2016, respectively. This change is largely driven by the one-time shareholder distribution in the amount of \$20,000 in Q2 2017, partially offset by greater drawings on our Revolving Credit Facility.

Cash Flows used in Investing Activities

For Q2 2017 and YTD 2017, cash flows used in investing activities amounted to \$(2,625) and \$(4,451), respectively, compared to \$(2,634) and \$(4,227) in Q2 2016 and YTD 2016, respectively. The changes reflect our continued investment in our DTC operating segment.

Analysis of Cash Flows for Fiscal 2016 compared to the Unaudited Combined 2015 Period

Cash Flows from Operations

For Fiscal 2016, cash flows generated from operating activities totalled \$30,068, compared to \$6,288 in the Unaudited Combined 2015 Period. In Fiscal 2016, cash flows generated from operating activities were impacted by positive changes to working capital and higher income levels after adjusting for non-cash items. The cash flow generation in the Unaudited Combined 2015 Period reflects net losses during the 2 Months offset by favourable changes in working capital.

Cash Flows used in/from Financing Activities

For Fiscal 2016, cash flows used in financing activities amounted to \$(3,913), compared to a cash flow generation of \$262,624 in the Unaudited Combined 2015 Period. Fiscal 2016 cash flow usage related mainly to debt repayments, while the Unaudited Combined 2015 Period cash flow generation related to the issuance of long-term debt and common shares, partially offset by Predecessor dividend payments. A new entity, Roots Corporation, was established on October 14, 2015 which purchased substantially all of the assets and assumed certain liabilities of the former Roots Canada Ltd. on December 1, 2015. To facilitate the Acquisition, the entity was funded with cash through the issuance of long-term debt and common shares on December 1, 2015.

Cash Flows used in Investing Activities

For Fiscal 2016, cash flows used in investing activities totalled \$(12,049), compared to \$(269,892) in the Unaudited Combined 2015 Period. Fiscal 2016 cash flow usage relates mainly to capital expenditures relating to store renovations and new store openings. The Unaudited Combined 2015 Period cash flow usage relates mainly to the Acquisition and, to a much smaller extent, store renovations and new store openings.

Analysis of Cash Flows for the Unaudited Combined 2015 Period compared to Fiscal 2014

Cash Flows from Operations

Cash flows generated from operating activities totalled \$6,288 in the Unaudited Combined 2015 Period, compared to \$31,274 in Fiscal 2014. The cash flow generation in the Unaudited Combined 2015 Period reflects net losses during the 2 Months offset by favourable changes in working capital and negative working capital during the 10 Months. The cash flow generation in Fiscal 2014 mainly results from higher net income levels after adjusting for non-cash items.

Cash Flows used in/from Financing Activities

Cash flows generated from financing activities totalled \$262,624 in the Unaudited Combined 2015 Period, compared to cash flow usage of \$(14,325) in Fiscal 2014. The cash flow generation in the Unaudited Combined 2015 Period relates to the issuance of long-term debt and common shares associated with the Acquisition, partially offset by dividend payments. The cash flow usage in Fiscal 2014 is attributable to the repayment of long-term debt.

Cash Flows used in Investing Activities

Cash flows used in investing activities totalled \$(269,892) in the Unaudited Combined 2015 Period, compared to \$(4,773) in Fiscal 2014. The Unaudited Combined 2015 Period cash flow usage relates mainly to the Acquisition and, to a much smaller extent, store renovations and new store openings. The cash flow usage in Fiscal 2014 relates mainly to store renovations and new store openings.

Indebtedness

On December 1, 2015, the Company entered into a secured credit agreement with a syndicate of lenders to obtain an initial term loan for an aggregate principal amount not exceeding \$111,000 and a

revolving credit loan not exceeding \$25,000, less the aggregate swing line loan of \$5,000. On April 19, 2017, the Company amended the Credit Agreement to increase the availability under the revolving credit loan to an amount not exceeding \$50,000, less the aggregate swing line loan of \$10,000, and reduced the interest rates by 0.25%. As of July 29, 2017, there was \$101,063 and \$21,000 outstanding under the Term Credit Facility and Revolving Credit Facility, respectively.

These Credit Facilities bear interest according to the type of borrowing advanced, which may be based on a reference rate of the U.S. federal funds rate, a Canadian prime rate or the LIBOR rate, plus a margin that ranges from 1.75% to 4.25%. The Credit Facilities are secured by the assets of the Company and have a maturity date of December 1, 2020. See “Subsequent Events”.

The following table sets out the mandatory amortization of the Credit Facilities over the next five years:

CAD \$000s	Term Credit Facility	Revolving Credit Facility
Within 1 year	6,244	—
Within 1 – 2 years	8,325	—
Within 2 – 3 years	9,019	—
Within 3 – 4 years	77,475	21,000
Within 4 – 5 years	—	—
Total	101,063	21,000

See “Description of Material Indebtedness” in this prospectus.

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 July 29, 2017:

CAD\$000s	Remainder of FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Thereafter	Total
Revolving Credit Facility ^(a)	—	—	—	21,000	—	—	21,000
Term Credit Facility ^(a)	4,163	8,325	8,325	80,250	—	—	101,063
Interest commitments relating to long-term debt ^(b)	2,628	5,027	4,663	3,574	—	—	15,892
Accounts payable and accrued liabilities	20,469	—	—	—	—	—	20,469
Net settlement of foreign currency forward contracts ^(c)	1,360	761	—	—	—	—	2,121
Operating leases ^(d)	12,007	21,629	19,320	16,811	13,802	38,916	122,485
Finance leases	200	314	314	131	25	8	992
Inventory purchase commitments	70,634	27,191	—	—	—	—	97,825
Total commitments and obligations	111,461	63,247	32,622	121,766	13,827	38,924	381,847

Notes:

- The repayment of the Revolving Credit Facility and the Term Credit Facility may occur prior to the mandatory repayment time if certain events occur and/or at the discretion of the Company.
- Based on the interest rate in effect as at July 29, 2017, and assuming no prepayments are made to the Revolving Credit Facility or the Term Credit Facility.
- Obligation arising from the settlement of outstanding foreign currency forward contracts based on the U.S. dollar-Canadian dollar foreign exchange rate on July 29, 2017. See “Exchange Rate Data”.
- Operating leases for certain of our premises include renewal options, rent escalation clauses, variable rent, and rent-free periods. The operating lease commitment reflects minimum annual commitments for our operating leases on those premises, excluding renewal options and variable rent.

Financial Instruments

Commencing in Fiscal 2017, we have designated foreign currency forward contracts in a cash flow hedge to manage our exposure to certain 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 each fiscal quarter-end thereafter, the Company formally assesses effectiveness of the cash flow hedges.

To the extent the hedging relationship is assessed as effective, the change in the fair value of the foreign currency forward contracts, net of taxes, is recognized in other comprehensive income and presented in accumulated other comprehensive income. Any ineffective portion of changes in the fair value of the foreign currency forward contracts are recognized immediately in net income (loss).

The fair value of foreign currency forward contracts is determined using a valuation technique that employs the use of market observable inputs and based on the differences between the contract rate and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money.

As of July 29, 2017, the Company has recorded a derivative liability of \$2,111, representing foreign currency forward contracts to buy U.S. \$31,435 at an average rate of 1.31.

All other financial assets and financial liabilities are measured at amortized cost using the effective interest method.

Share Information prior to Pre-Closing Capital Changes

Prior to the completion of the Pre-Closing Capital Changes, we are authorized to issue an unlimited number of Class A, B and C Shares, with no par value. The Class A, B and C Shares are identical, except that the aggregate number of votes attached to the Class B Shares, as a class, shall at no times exceed 15% of the votes cast at a meeting of shareholders (allocated proportionately among all holders of Class B Shares) and the Class C Shares do not contain voting rights. The Class A, B and C Shares rank *pari passu* in all respects, including the right to receive dividends and with respect to any distribution of our assets.

Prior to the completion of the Pre-Closing Capital Changes, we have 156,845,150 Class A Shares, 39,148,787 Class B Shares and no Class C Shares issued and outstanding. In addition there are 14,069,635 options and 74,627 RSUs (as defined below), each representing a right to acquire one Class C Share (which will become a right to acquire one Share following completion of the Pre-Closing Capital Changes), issued and outstanding. Assuming exercise and redemption of all outstanding options and restricted share units, there are 210,138,199 equity securities of the Company issued and outstanding on a fully diluted basis.

Related Party Transactions

As of July 29, 2017, we have incurred the following costs in connection with transactions entered into with related parties:

<u>CAD \$000s</u>	<u>Q2 2017</u>	<u>YTD 2017</u>
Rent ^(a)	196	393
Consulting Fees ^(b)	100	200
Reimbursements ^(b)	13	19
Monitoring Fees ^(c)	506	506

Notes:

- (a) Our distribution facility and leather factory are each owned by entities controlled by the Founders and certain of their family members. We have entered into lease arrangements in respect of these premises. The leather factory lease terminates on November 30, 2018, with a right to extend the term for two further periods of five years each, and has an annual rent of \$250. The distribution facility lease term expired on November 30, 2016 but was subsequently extended for one year until November 30, 2017, and we hold the right to extend the term for two further periods of one year each. Annual rent in respect of the distribution facility is \$535.
- (b) Pursuant to consulting agreements dated December 1, 2015 between the Company and the Founders and certain of the Founders' family members (the "**Consulting Agreements**"), the Founders and certain of their family members are provided with consulting fees, clothing allowances and reimbursement for certain travel, meals and phone expenses. The Consulting Agreements will terminate upon completion of the Offering.

- (c) In accordance with the Unanimous Shareholder Agreement, the Company pays Searchlight a monitoring fee and reimburses Searchlight for certain out-of-pocket expenses incurred during the year in connection with matters regarding the Company. The Unanimous Shareholder Agreement and, therefore, the monitoring fee and expense reimbursement payable thereunder, will be terminated immediately prior to completion of the Offering.

In April 2016, the Company issued and sold 250,000 Class A Shares to Jim Gabel, our President and Chief Executive Officer at a price of \$1 per share, paid for using \$250 in cash.

In February 2016, Jim Rudyk, our Chief Financial Officer, purchased 1,000,000 Class A Shares from certain of the Searchlight Selling Shareholders at a price of \$1 per share. The purchase was paid for using \$500 in cash and a \$500 loan from the Company. The \$500 loan from the Company is to be repaid at the earlier of six years from the date of the loan and upon a liquidity sale of the Company. Interest accrues at a rate of 4% per annum and is payable at the start of each calendar year following the date of the loan. Unpaid interest may be deemed paid by increasing the principal amount outstanding. As at July 29, 2017, the outstanding balance on the loan was \$520.

Financial Outlook

Over the past three fiscal years, we have successfully grown our sales at a CAGR of 14%, while making long-term investments in our human capital and infrastructure. We believe an opportunity exists to grow our annual sales from approximately \$282,000 in Fiscal 2016 to between \$410,000 and \$450,000 by the end of Fiscal 2019 (representing a CAGR of between 13% and 17% from Fiscal 2016 to Fiscal 2019). We also believe there is an opportunity to grow our annual Adjusted EBITDA from approximately \$42,000 in Fiscal 2016 to between \$61,000 and \$68,000 by the end of Fiscal 2019 (representing a CAGR of between 14% and 18% from Fiscal 2016 to Fiscal 2019) and annual Adjusted Net Income from approximately \$21,000 in Fiscal 2016 to between \$35,000 and \$40,000 by the end of Fiscal 2019 (representing a CAGR of between 18% and 23% from Fiscal 2016 to Fiscal 2019).

With respect to our capital structure, by the end of Fiscal 2017, we are targeting a net leverage ratio of less than 2.0x LTM Adjusted EBITDA. In Fiscal 2018, we are targeting our net leverage ratio to be below our current level of 2.7x LTM Adjusted EBITDA and range from 1.5x to 2.5x through the course of the year as a result of our strong cash flow generation and natural deleveraging with consideration for fluctuations in our seasonal working capital requirements.

Our strategies to realize on these growth opportunities are more fully described under “Our Business – Our Growth Strategies” in this prospectus and can be summarized as follows:

- leverage our recent operational investments, including our new executive team; merchandising through the introduction of UBR and associated SKU reduction; and improving store productivity through the adoption of a more analytical, data-driven approach to store portfolio optimization;
- leverage recent investments in our e-commerce platform, which have improved our online storefront, enhanced mobile shopping capability and streamlined connectivity with our retail stores;
- amplify the organic power of our brand through strategic integrated marketing investments, increasing our marketing investment from a historical level of less than 2% of sales to a target of 4% of sales by the end of Fiscal 2019;
- continue to optimize our existing stores;
- continue our disciplined and measured approach to expanding our store network in Canada;
- build our brand awareness and affinity in the United States by leveraging our enhanced online presence and expanding our store network, particularly in the Northeast and Midwest regions;
- leverage our current international operating partner relationship to continue expansion within Taiwan and China and into new international markets, including Singapore and Malaysia;
- develop other international markets through arrangements with new international operating partners;

- deepen our leather product offerings by combining our long-standing genuine leather credentials and modernizing the range of our leather bags, accessories and jackets, and by enhancing our leather customization and personalization program; and
- expand our footwear product offerings into a cornerstone product category.

Additionally, the foregoing financial outlook is based on the following assumptions, among others:

- achieving average annual comparable sales growth in line with or above Fiscal 2016, notwithstanding quarterly variations;
- e-commerce sales increasing to approximately 20% to 22% of total DTC sales by the end of Fiscal 2019;
- the renovation or expansion of 29 to 33 stores by the end of Fiscal 2019 at a capital expenditure requirement of approximately \$113 per square foot and total capital expenditures of \$12,000 to \$13,800;
- the opening of 8 to 10 new stores in Canada and 10 to 14 new stores in the United States;
- the opening of an additional 20 to 25 new stores with our existing partner in Taiwan and China and establishing a presence in Singapore and Malaysia with our existing partner;
- establishing a presence in other international markets with new international operating partners;
- increase in investment in marketing initiatives from less than 2% to approximately 4% of annual sales by the end of Fiscal 2019;
- the strategic expansion of our existing product offering in leather and footwear;
- inflation rates consistent with historical levels;
- a U.S. dollar to Canadian dollar exchange rate of 1:1.35;
- taxation rates consistent with historical levels; and
- debt repayments consistent with the terms set out in this MD&A.

With respect to the expansion of our store network in Canada, we have assumed an average new store size of between 2,750 and 3,250 square feet with a capital expenditure requirement of approximately \$171 per square foot, total capital expenditures of between \$4,000 and \$5,000, and a payback period of less than two years. We also anticipate select store closures through the ordinary course of business, including our real estate portfolio optimization and finding more attractive lease opportunities. With respect to the development of our footprint in the United States, we have assumed an average new store size of between 3,250 and 3,750 square feet with a capital expenditure requirement of approximately \$371 per square foot, total capital expenditures of between \$15,000 and \$17,000, and a payback period of less than three years. We also anticipate select store closures in the ordinary course of business including through real estate portfolio optimization and finding more attractive lease opportunities.

Management currently believes that the achievement of the foregoing financial outlook is possible, can be reasonably estimated and is based on underlying assumptions that management believes are reasonable in the circumstances, given the time period for such targets. See “Our Business – Our Growth Strategies” in this prospectus. However, there can be no assurance that we will be able to open new stores in Canada or in the United States, expand or reposition existing stores, or achieve continued comparable sales growth, including growing e-commerce sales in relation to total DTC sales at levels underlying our financial outlook. Furthermore, there can be no assurance that we will be successful in expanding in existing and new international markets, that our increased marketing spend or the strategic expansion of our existing leather and footwear offerings will achieve expected results or that inflation rates, foreign currency exchange rates, taxation rates, or debt repayment terms will be consistent with our assumptions, as actual rates and levels may vary in the future.

The foregoing description of our potential growth opportunities is based on management’s current views and strategies, our assumptions and expectations concerning our growth opportunities, and our assessment

of the opportunities for our business and the retail industry as a whole, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The purpose of disclosing our growth targets is to provide investors with more information concerning the financial targets that management currently believes are achievable based on our growth strategies described above and elsewhere in this prospectus. The description of our potential growth opportunities is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above or under the section “Our Business – Our Growth Strategies”. See “Forward-Looking Information” and “Risk Factors” elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact our business and that could cause actual results to vary.

Subsequent Events

On September 6, 2017, we amended and extended our existing Credit Facilities. The Credit Facilities, as amended, are comprised of (i) a Revolving Credit Facility in the amount of \$50,000 bearing interest in accordance with the Trailing Leverage Multiple (as defined below) and maturing on September 6, 2022 and (ii) an approximately \$100,000 Term Credit Facility bearing interest in accordance with the Trailing Leverage Multiple and maturing on September 6, 2022. The Credit Facilities include an accordion feature in the amount of \$25,000 and 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 100 to 225 basis points (bps) or the LIBOR rate or bankers’ acceptances rate, plus a margin that ranges from 200 to 325 bps. The applicable margins are derived from our senior leverage ratio, as follows: (i) where the U.S. base rate or a Canadian prime rate is used, the margins range from 100 bps at less than 2.0x, to 225 bps at greater than or equal to 3.5x, and (ii) where the LIBOR rate or bankers’ acceptances rate is used, the margins range from 200 bps at less than 2.0x, to 325 bps at greater than or equal to 3.5x (the “**Trailing Leverage Multiple**”). See “Description of Material Indebtedness”.

Risks and Uncertainties

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. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

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 denominated in U.S. dollars. 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. Appreciating foreign currencies relative to the Canadian dollar in respect of sales will positively impact operating income and net earnings associated with our foreign operations by increasing our sales and vice versa.

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 depreciating Canadian dollar relative to the U.S. dollar will have a negative impact on year-over-year changes in reported operating income and net earnings by increasing the cost of finished goods and raw materials and vice versa. As described above, we enter into certain qualifying foreign currency forward contracts that are designated as cash flow hedges.

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 interest

rate risk. As of July 29, 2017, we only have variable interest rate debt. The impact of future interest rate expense resulting from future 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 cash and cash equivalents and accounts receivable. The Company limits its exposure to credit risk with respect to cash and cash equivalents by dealing with Canadian financial institutions. The Company's accounts receivable consist primarily of receivables from our business partners from the Partners and Other segment, which are settled in the following fiscal quarter.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. 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.

Critical Accounting Estimates and Judgments

The consolidated financial statements included elsewhere in this prospectus have been prepared in accordance with IFRS. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are more fully described in the notes to our consolidated financial statements included elsewhere in this prospectus, we believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

The following are the key judgments and sources of estimation uncertainty that we believe could have the most significant impact on the amounts recognized in our consolidated financial statements.

Inventory valuation

Merchandise inventories are valued at the lower of average cost, using the retail method, 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.

Impairment of non-financial assets

The Company is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGUs") for the purpose of testing store related fixed assets. Judgment 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 each store location is a separate CGU for the purpose of fixed asset impairment testing. For purposes of non-store related non-financial assets, CGUs are grouped at the lowest level at which these assets are monitored for internal management purposes or the lowest level at which cash inflows are generated. In addition, judgment 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 value in use and the fair value less costs to sell, of a CGU or a group of CGUs, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

Share-based compensation

The Company measures the cost 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, dividend yield and forfeiture rate.

Gift card breakage

The Company recognizes revenue from unredeemed gift cards if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift card is issued.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations are provided below.

- In 2016, the IASB issued IFRS 16, "Leases" ("**IFRS 16**"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-statement of financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, "Revenue from Contracts with Customers" ("**IFRS 15**") has been adopted. We are currently assessing the impact of the new standard on our consolidated financial statements.
- In 2014, the IASB issued IFRS 15, replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. We are currently assessing the impact of the new standard on our consolidated financial statements.
- In 2016, the IASB issued IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration, in response to diversity in practice in determining the appropriate exchange rate to use when translating assets, expenses or income, when foreign currency consideration is paid or received in advance of the item to which it relates. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

- In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the “**Interpretation**”) in response to diversity in practice for various issues in circumstances in which there is uncertainty in the application of the tax law. While IAS 12 provides requirements on the recognition and measurement of current and deferred tax liabilities and assets, there is diversity in the accounting for income tax treatments that have yet to be accepted by tax authorities. The Interpretation requires an entity to:
 - reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
 - measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
 - reassess the judgments and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority’s right to challenge a treatment expires); and
 - consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019 and may be applied on a fully retrospective basis, if this is possible without the use of hindsight, or on a modified retrospective basis, with an adjustment to equity on initial application. Earlier application is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

PROCEEDS TO THE SELLING SHAREHOLDERS

We will not receive any proceeds from the Offering. The aggregate net proceeds of the Offering to the Selling Shareholders, after deducting the Underwriters’ fee, will be approximately \$ ● , based on the midpoint of the estimated price range set forth on the cover page of this prospectus (or \$ ● if the Over-Allotment Option is exercised in full). The expenses of the Offering, which are estimated to be \$ ● , will be paid by the Company. See “Plan of Distribution”.

DESCRIPTION OF SHARE CAPITAL

The following describes material terms of our share capital upon completion of the Offering. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our articles (“**Articles**”).

Authorized Share Capital upon Completion of the Offering

Upon completion of the Pre-Closing Capital Changes and the Offering, our authorized share capital will consist of (i) an unlimited number of Shares and (ii) an unlimited number of preferred shares, issuable in series. Upon completion of the Offering, ● Shares and no preferred shares will be issued and outstanding.

All shareholders of the Company are currently signatories to the Unanimous Shareholder Agreement in respect of the Company, which will be terminated by the parties immediately prior to Closing.

Common Shares

Rank

The Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of our liquidation, dissolution or winding-up.

Dividend Rights

Holders of Shares (“**Shareholders**”) are entitled to receive dividends on a *pari passu* basis out of our assets legally available for the payment of dividends at such times and in such amount and form as our Board may from time to time determine, subject to any preferential rights of the holders of any outstanding preferred shares.

Voting Rights

Shareholders are entitled to one vote in respect of each Share held at meetings of Shareholders, as described below.

Meetings of Shareholders

Shareholders will be entitled to receive notice of any meeting of Shareholders and may attend and vote at such meetings. A quorum for the transaction of business at a meeting of Shareholders is present if Shareholders who, together, hold not less than 25% of the votes attaching to our outstanding Shares entitled to vote at the meeting are present in person or represented by proxy.

Pre-Emptive Rights

Certain Shareholders will be entitled to certain pre-emptive rights to subscribe for additional Shares provided for in the Investor Rights Agreement. See “Agreements with Principal Shareholders – Investor Rights Agreement – Pre-Emptive Rights”.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, the Shareholders, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding preferred shares.

Preferred Shares

The preferred shares may at any time and from time to time be issued in one or more series. Subject to the provisions of the CBCA and our Articles, our Board may, by resolution, from time to time before the issue thereof determine the maximum number of preferred shares of each series, create an identifying name for each series, attach special rights or restrictions to the preferred shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on our liquidation, dissolution or winding-up and any sinking fund or other provisions, the whole to be subject to filing Articles of Amendment to create the series and to include the special rights or restrictions attached to the preferred shares of the series. 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 receive notice of, attend or vote at any meeting of Shareholders.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank *pari passu* with the preferred shares of every other series and be entitled to preference over the Shares and any other of our shares ranking junior to the preferred shares with respect to payment of dividends.

In the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of preferred shares will be entitled to preference with respect to distribution of our property or assets over the Shares and any other of our shares ranking junior to the preferred shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the preferred shares. We currently anticipate that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of preferred shares issued from time to time.

Advance Notice By-Laws

We have included certain advance notice provisions with respect to the election of our directors in our by-laws (the “**Advance Notice Provisions**”). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings of our Shareholders; (ii) ensure that all Shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow Shareholders to register an informed vote. Only persons who are nominated by Shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of Shareholders, or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a Shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of Shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of Shareholders; provided, that if the first public announcement of the date of the annual meeting of Shareholders (the “**Notice Date**”) is less than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Forum Selection

We intend to adopt a forum selection by-law that will provide that, unless we consent in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our Articles or by-laws; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and their respective shareholders, directors and/or officers, but excluding claims related to our business or the business of such affiliates. Our forum selection by-law also provides that our security holders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of our by-law.

Pre-Closing Capital Changes

In connection with and prior to Closing of the Offering, the following capital changes will be implemented (the “**Pre-Closing Capital Changes**”):

- all outstanding Class B Shares will automatically convert into Class A Shares on a one-for-one basis in accordance with our Articles;
- immediately following the foregoing conversion, our share capital will be amended such that it will be comprised of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. See “– Authorized Share Capital upon Completion of the Offering”;
- each Class A Share will be exchanged for one Share;
- following the foregoing share exchanges:
 - all of our issued and outstanding Shares will be consolidated on a • -to-one basis; and
 - each option and RSU to acquire Class C Shares under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan (each as defined herein) will be exchanged on a • -to-one basis for options and RSUs exercisable to acquire Shares at a post-consolidation exercise price such that the in-the-money value of each option remains unchanged; and

- the Class A Shares, the Class B Shares and the Class C Shares included in our authorized share capital prior to such amendments will be deleted from our Articles.

The following table summarizes the changes in share structure of the Company in advance of, and immediately following, the Closing:

	Beneficial Share Ownership as of September 13, 2017 ⁽¹⁾	Beneficial Share Ownership After Pre-Closing Capital Changes	Beneficial Share Ownership Immediately Following Closing ⁽²⁾
Searchlight Selling Shareholders	155,595,150 Class A Shares	● Shares	● Shares
Founders Selling Shareholder	39,148,787 Class B Shares	● Shares	● Shares
Executive Officers (as a group)	1,250,000 Class A Shares ⁽³⁾	● Shares	● Shares
Public Shareholders	—	—	● Shares

Notes:

- (1) The Company also has granted options exercisable to acquire an aggregate of 14,069,635 Class C Shares at exercise prices ranging from \$1.00 to \$1.34 per Class C Share. After giving effect to the Pre-Closing Capital Changes, such options will become options exercisable to acquire an aggregate of ● Shares at exercise prices ranging from \$ ● to \$ ● per Share. The Company also has granted 74,627 RSUs which are held by one participant and represent a right to acquire an aggregate of 74,627 Class C Shares upon vesting. After giving effect to the Pre-Closing Capital Changes, such RSUs will represent rights to acquire an aggregate of ● Shares. See "Executive Compensation – Components of Compensation – Long-Term Incentive Plans".
- (2) Assuming no exercise of the Over-Allotment Option.
- (3) Comprised of 1,000,000 Class A Shares owned by Jim Rudyk and 250,000 Class A Shares owned by Jim Gabel.

DIVIDEND POLICY

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Shares. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant.

PRINCIPAL AND SELLING SHAREHOLDERS

As of the date hereof (and prior to giving effect to the Pre-Closing Capital Changes), the Searchlight Selling Shareholders are the beneficial owners of 155,595,150 Class A Shares, which represents approximately 79.4% of the issued and outstanding voting securities of the Company (or approximately 74.0% on a fully-diluted basis), and the Founders Selling Shareholder is the beneficial owner of 39,148,787 Class B Shares, which represents approximately 20.0% of the issued and outstanding voting securities of the Company (or approximately 18.6% on a fully-diluted basis). After giving effect to the Pre-Closing Capital Changes, but prior to completion of the Offering, the Searchlight Selling Shareholders will be the beneficial owner of ● Shares, which represents approximately 79.4% of the issued and outstanding Shares (or approximately 74.0% on a fully-diluted basis) and the Founders Selling Shareholder will be the beneficial owner of ● Shares, which represents approximately 20.0% of the issued and outstanding Shares (or approximately 18.6% on a fully-diluted basis).

The Searchlight Selling Shareholders intend to sell, in the aggregate, ● Shares, which will represent approximately ● % of the total issued and outstanding Shares of the Company after giving effect to the Pre-Closing Capital Changes (or ● Shares, representing ● % of the total issued and outstanding Shares if the Over-Allotment Option is exercised in full) and the Founders Selling Shareholder intends to sell ● Shares, which will represent approximately ● % of the total issued and outstanding Shares of the Company after giving effect to the Pre-Closing Capital Changes (or ● Shares, representing ● % of the total issued and outstanding Shares if the Over-Allotment Option is exercised in full).

Following completion of the Offering, the Searchlight Selling Shareholders will beneficially own (i) ● Shares, representing approximately ● % of the outstanding Shares (or approximately ● % on a fully-diluted basis), or (ii) if the Over-Allotment Option is exercised in full, ● Shares, representing approximately ● % of the outstanding Shares (or approximately ● % on a fully-diluted basis).

Following completion of the Offering, the Founders Selling Shareholder will beneficially own (i) ● Shares, representing approximately ● % of the outstanding Shares (or approximately ● % on a fully-diluted basis), or (ii) if the Over-Allotment Option is exercised in full, ● Shares, representing approximately ● % of the outstanding Shares (or approximately ● % on a fully-diluted basis).

For the purposes of this section of the prospectus, all “fully-diluted” figures assume that Shares are issued in respect of the exercise in full of all of the Company’s outstanding options and RSUs.

The following table sets out the Shareholders who, immediately following the Closing, will, to our knowledge, beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of our voting securities.

Name of Shareholder	Immediately following the Pre-Closing Capital Changes but prior to Closing	Number of Shares Sold in the Offering ⁽¹⁾	Immediately following Closing	
	Number of Shares Owned		Number of Shares Owned	Percentage of Outstanding Shares
Searchlight Selling Shareholders	● Shares	●	● Shares	● ⁽²⁾ %
Founders Selling Shareholder	● Shares	●	● Shares	● ⁽²⁾ %

Notes:

- (1) Assuming the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full, the Underwriters will purchase an additional ● Shares from the Selling Shareholders, on a pro rata basis, and each of the Selling Shareholders’ interest in the Company will be correspondingly reduced.
- (2) Figure represents ownership on a non-diluted basis. On a fully-diluted basis (assuming the exercise of all outstanding options and restricted share units), the Searchlight Selling Shareholders’ and the Founders Selling Shareholder’s respective ownership represents ● % and ● % of the issued and outstanding Shares immediately following the Closing, respectively. If the Over-Allotment Option is exercised in full, the Searchlight Selling Shareholders and the Founders Selling Shareholder will own ● % (● % on a fully-diluted basis) and ● % (● % on a fully-diluted basis) of the issued and outstanding Shares immediately following the Closing, respectively.

All of the Shares held on Closing by the Selling Shareholders will be subject to contractual lock-up agreements with the Underwriters. See “Plan of Distribution – Lock-Up Arrangements”.

AGREEMENTS WITH PRINCIPAL SHAREHOLDERS

Investor Rights Agreement

The Selling Shareholders, as well as certain of our other shareholders, are currently parties to the Unanimous Shareholder Agreement, which will be terminated by the parties immediately prior to Closing. Effective upon Closing, we will enter into an investor rights agreement with the Selling Shareholders (the “**Investor Rights Agreement**”) with respect to certain director nomination rights and shareholder rights.

The following is a summary of the material attributes and characteristics of the Investor Rights Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics.

Nomination Rights

The Investor Rights Agreement will provide that the Searchlight Selling Shareholders (including their permitted affiliates) will initially be entitled to nominate 50% of our directors (rounded up to the next whole

member) and will continue to be entitled to nominate such percentage of our directors for so long as they, as a group, own, control or direct at least 50% of our outstanding Shares (on a non-diluted basis), provided that this percentage will be reduced:

- (i) to 40% of our directors (rounded up to the next whole member) once the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct less than 50% but not less than 40% of our outstanding Shares (on a non-diluted basis);
- (ii) to 30% of our directors (rounded up to the next whole member) once the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct less than 40% but not less than 30% of our outstanding Shares (on a non-diluted basis);
- (iii) to 20% of our directors (rounded up to the next whole member) once the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct less than 30% but not less than 20% of our outstanding Shares (on a non-diluted basis);
- (iv) to 10% of our directors (rounded up to the next whole member) once the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct less than 20% but not less than 10% of our outstanding Shares (on a non-diluted basis); and
- (v) to none of our directors once the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct less than 10% of our outstanding Shares (on a non-diluted basis).

The Investor Rights Agreement will provide that the Founders Selling Shareholder will be collectively entitled to nominate one director for so long as the Founders Selling Shareholder (including its permitted affiliates), as a group, own, control or direct 10% or more of our outstanding Shares (on a non-diluted basis).

Pre-Emptive Rights

In the event that Roots decides to issue equity securities of the Company or securities convertible into or exchangeable or redeemable for equity securities of the Company, or an option or other right to acquire any such securities ("**Issued Securities**"), the Investor Rights Agreement will provide each of the Searchlight Selling Shareholders and the Founders Selling Shareholder (and their respective permitted affiliates), for so long as such party owns, controls or directs at least 10% of our outstanding Shares (on a non-diluted basis), with pre-emptive rights to purchase Issued Securities or such other securities being contemplated for issuance by Roots, to maintain such party's effective *pro rata* ownership interest.

This pre-emptive right will not apply to the issuance of Issued Securities in certain circumstances, including: (i) in respect of the exercise of options, warrants, rights or other securities issued under Roots' share-based compensation arrangements; (ii) in connection with a subdivision of then-outstanding Shares into a greater number of Shares; (iii) the issuance of equity securities of Roots in lieu of cash dividends, if any; (iv) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which the Searchlight Selling Shareholders or the Founders Selling Shareholder, as the case may be, did not exercise, failed to exercise, or waived, its pre-emptive right or in respect of which the pre-emptive right did not apply; (v) pursuant to a shareholders' rights plan of Roots, if any, and (vi) to any subsidiary of Roots or an affiliate of any of them (excluding the Searchlight Selling Shareholders).

Searchlight Registration Rights

The Investor Rights Agreement will provide the Searchlight Selling Shareholders (including their permitted affiliates) with the right (the "**Searchlight Piggy-Back Registration Right**") to require Roots to include Shares held by the Searchlight Selling Shareholders in any future public offering undertaken by Roots by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Searchlight Piggy-Back Distribution**"). Roots will be required to use reasonable commercial efforts to cause to be included in the distribution all of the Shares that the Searchlight Selling Shareholders request to be sold, provided that if the distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be first allocated to Roots.

In addition, the Investor Rights Agreement will provide the Searchlight Selling Shareholders (including their permitted affiliates) with the right (the **“Demand Registration Right”**) to require Roots to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities qualifying Shares held or controlled by the Searchlight Selling Shareholders for public distribution (a **“Demand Distribution”**). The Searchlight Selling Shareholders will be entitled to request not more than three Demand Distributions per calendar year, but no more than once during any 90 day period, and each Demand Distribution must be comprised of such number of Shares that would reasonably be expected to result in aggregate gross proceeds of at least \$20 million. Roots may also distribute its Shares in connection with a Demand Distribution; provided that, if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such Demand Distribution should be limited for certain prescribed reasons, the Shares to be included in the Demand Distribution will be first allocated to the Searchlight Selling Shareholders in full. Any distribution contemplated by a Demand Registration will be through underwriters selected by the Searchlight Selling Shareholders in consultation with Roots.

Each of the Searchlight Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time following the 180-day lock-up period, provided that the Searchlight Selling Shareholders (including their permitted affiliates), as a group, own, control or direct, in the aggregate, at least 10% of our outstanding Shares (on a non-diluted basis) at the time of exercise. The Searchlight Piggy-Back Registration Right and the Demand Registration Right will be subject to customary conditions and limitations, and Roots will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. All expenses in respect of a Searchlight Piggy-Back Distribution or a Demand Distribution will be borne by Roots, except that any underwriting fee on the sale of Shares by a Searchlight Selling Shareholder will be borne by the applicable Searchlight Selling Shareholder. The Investor Rights Agreement will provide that Roots will indemnify the Searchlight Selling Shareholders for any misrepresentation in a prospectus under which Shares held by the Searchlight Selling Shareholders are distributed (other than in respect of any information provided by the Searchlight Selling Shareholders, in respect of the Searchlight Selling Shareholders, for inclusion in the prospectus) and the Searchlight Selling Shareholders will indemnify Roots for any information provided by the Searchlight Selling Shareholders, in respect of the Searchlight Selling Shareholders, for inclusion in the prospectus. These registration rights will not, in any circumstance, require Roots to register Shares under the U.S. Securities Act.

Founder Registration Rights

The Investor Rights Agreement will provide the Founders Selling Shareholder (including its permitted affiliates) with the right (the **“Founder Piggy-Back Registration Right”**) to require Roots to include Shares held by the Founders Selling Shareholder in any future public offering undertaken by Roots (either on its own behalf or as a result of a Demand Distribution initiated by a Searchlight Selling Shareholder) by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a **“Founder Piggy-Back Distribution”**). Roots will be required to use reasonable commercial efforts to cause to be included in the distribution all of the Shares that the Founders Selling Shareholder requests to be sold, provided that if the distribution (i) does not originate from a Demand Distribution initiated by a Searchlight Selling Shareholder, and (ii) involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be allocated first to Roots in full, and second (A) if a Searchlight Piggy-Back Registration Right was also exercised in connection with the same distribution, then the remaining number of Shares that may be included in the distribution shall be allocated among the Searchlight Selling Shareholders and the Founders Selling Shareholder on a *pro rata* basis or in such other proportion as shall be mutually agreed to by all such selling parties, or (B) if no Searchlight Piggy-Back Registration Right was exercised by a Searchlight Selling Shareholder in connection with the same distribution, then the remaining number of Shares that may be included in the distribution shall be allocated to the Founders Selling Shareholder. If, however, the Founders Selling Shareholder exercises a Founder Piggy-Back Registration Right in respect of a distribution that originated from a Demand Distribution initiated by a Searchlight Selling Shareholder, and such distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be first allocated among the Searchlight Selling

Shareholders and the Founders Selling Shareholder on a *pro rata* basis, or in such other proportion as shall be mutually agreed to by such parties and Roots shall not be entitled to participate in the distribution unless the total number of Shares to be included in the distribution would satisfy, in full, the Shares of the Searchlight Selling Shareholders and the Founders Selling Shareholder requested to be included in the distribution, in which case Roots shall be entitled to participate in the distribution in an amount not to exceed the difference between (i) the aggregate number of Shares to be sold by the Searchlight Selling Shareholders and the Founders Selling Shareholder in the distribution, and (ii) the maximum number of Shares that the lead underwriter has determined should be included in such distribution.

The Founder Piggy-Back Registration Right will be exercisable at any time following the 180-day lock-up period, provided that the Founders Selling Shareholder (including its permitted affiliates) own, control or direct at least 10% of our outstanding Shares (on a non-diluted basis) at the time of exercise. All expenses in respect of a Founder Piggy-Back Distribution in respect of a public offering initiated by a Searchlight Selling Shareholder or Roots, as the case may be, including, without limitation, expenses payable in connection with the qualification of the Shares, the fees and expenses of counsel and auditors and all costs incurred in connection with the preparation, translation, printing and delivery, will be borne by Roots (except for any underwriting fee on the sale of Shares by the Searchlight Selling Shareholders and the Founders Selling Shareholder which shall be borne by the Searchlight Selling Shareholders and the Founders Selling Shareholder on a *pro rata* basis based on the proportion of Shares sold by each). The Investor Rights Agreement will provide that Roots will indemnify the Founders Selling Shareholder for any misrepresentation in a prospectus under which Shares held by the Founders Selling Shareholder are distributed (other than in respect of any information provided by the Founders Selling Shareholder, in respect of the Founders Selling Shareholder, for inclusion in the prospectus) and the Founders Selling Shareholder will indemnify Roots for any information provided by the Founders Selling Shareholder, in respect of the Founders Selling Shareholder, for inclusion in the prospectus. In the event that the Searchlight Selling Shareholders are also participating in the distribution, the Searchlight Selling Shareholders and the Founders Selling Shareholder will indemnify one another for any misrepresentation in the applicable prospectus with respect to information related solely to the applicable party and furnished to Roots for use in the prospectus. These registration rights will not, in any circumstance, require Roots to register Shares under the U.S. Securities Act.

Term

The rights to be afforded to the Selling Shareholders under the Investor Rights Agreement will terminate in respect of the particular Selling Shareholder as of the first date upon which such Selling Shareholder ceases to own, control or direct at least 10% of our issued and outstanding Shares (on a non-diluted basis). In addition, the Investor Rights Agreement will terminate on the earlier of: (a) the date on which the Investor Rights Agreement is terminated by written agreement of the Selling Shareholders and us; and (b) our dissolution or liquidation.

DESCRIPTION OF MATERIAL INDEBTEDNESS

On December 1, 2015, we entered into a credit agreement with a syndicate of lenders, including affiliates of TD and Scotia Capital Inc., which was amended on April 19, 2017 and September 6, 2017 (as amended, the “**Credit Agreement**”). The Credit Agreement is comprised of (i) a revolving credit facility in the amount of \$50 million bearing interest in accordance with the Trailing Leverage Multiple (as defined below) and maturing on September 6, 2022 (the “**Revolving Credit Facility**”) and (ii) an approximately \$100 million term credit facility bearing interest in accordance with the Trailing Leverage Multiple and maturing on September 6, 2022 (the “**Term Credit Facility**” and, together with the Revolving Credit Facility, the “**Credit Facilities**”). The Credit Agreement includes an accordion feature in the amount of \$25 million. 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 100 to 225 basis points (bps) or the LIBOR rate or bankers’ acceptances rate, plus a margin that ranges from 200 to 325 bps. The applicable margins are derived from our senior leverage ratio, as follows: (i) where the U.S. base rate or a Canadian prime rate is used, the margins range from 100 bps at less than 2.0x, to 225 bps at greater than

or equal to 3.5x, and (ii) where the LIBOR rate or bankers' acceptances rate is used, the margins range from 200 bps at less than 2.0x, to 325 bps at greater than or equal to 3.5x (the "**Trailing Leverage Multiple**"). As at September 11, 2017, the aggregate amount outstanding under the Credit Facilities was approximately \$121 million (\$21 million under the Revolving Credit Facility and approximately \$100 million under the Term Credit Facility).

The Credit Agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on Roots, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, liquidate, wind-up or dissolve, transfer, lease or otherwise dispose of all or substantially all of its assets, consummate an asset sale exceeding \$10 million per fiscal year (or \$25 million in the aggregate during the term of the Credit Agreement), declare or pay any cash dividends outside the credit party group, engage in any material business other than the fashion clothing business, amend its organizational documents, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements. In addition to the senior leverage ratio, the Credit Agreement also contains a total debt ratio (currently 4.5x, reducing to 4.0x as at July 31, 2019) and a fixed charge coverage ratio of 1.25x. Roots is currently in compliance with all covenants contained in the Credit Agreement, and no material breach of such agreement has occurred or been waived.

CONSOLIDATED CAPITALIZATION

There has been no material change in the share and loan capital of the Company, on a consolidated basis, since the date of the unaudited interim condensed consolidated financial statements of the Company for the 13- and 26-week period ended July 29, 2017. The following table summarizes the Company's capitalization as of the date of this prospectus. The table should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the 13- and 26-week period ended July 29, 2017 included in this prospectus.

	As at July 29, 2017
(in thousands of Canadian dollars)	
Cash	\$ 440
Debt	
Bank indebtedness	1,408
Revolving Credit Facility	21,000
Term Credit Facility	101,063
Deferred financing fees	(2,504)
Finance lease obligation	1,034
Shareholders' equity	
Share capital	195,994
Contributed surplus	678
Retained earnings (Accumulated deficit)	(23,632)
Accumulated other comprehensive income (loss)	(1,548)
Total shareholders' equity	171,492
Total equity	171,492
Total capitalization	293,493

OPTIONS TO PURCHASE SHARES

The following table sets forth the aggregate number of options to purchase Shares that will be outstanding upon completion of the Offering, after giving effect to the Pre-Closing Capital Changes (as a result of which all outstanding options will become options to acquire Shares):

<u>Category</u>	<u>Number of Options to acquire Shares</u>	<u>Exercise Price⁽¹⁾</u>	<u>Expiration Date</u>
Legacy Equity Incentive Plan and the Legacy Employee Option Plan ⁽²⁾			
All of our executive officers and past executive officers, and all of our directors and past directors, as a group (5 in total)	•	\$ •	•
All of our other employees and past employees, as a group	•	\$ •	•
Total	•	\$ • ⁽³⁾	•

Notes:

- (1) Represents the weighted average exercise price of all outstanding options to purchase Shares, whether vested or unvested.
- (2) Shares underlying approximately 83.5% of all outstanding options granted under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan will be subject to a 180-day contractual restriction on transfer. The remaining 16.5% of our outstanding options will not commence vesting until one year following Closing. See “Plan of Distribution – Lock-Up Arrangements”.
- (3) All outstanding options under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan are in-the-money.

For a description of our equity-based compensation plans, see “Executive Compensation – Components of Compensation – Long-Term Incentive Plans”.

PRIOR SALES

The following table summarizes issuances of our Class A Shares, Class B Shares, Class C shares or securities convertible into Class A Shares, Class B Shares or Class C Shares during the 12-month period preceding the date of this prospectus. After giving effect to the Pre-Closing Capital Changes, options to acquire Class C Shares under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan will become options to acquire Shares. See “Description of Share Capital – Pre-Closing Capital Changes”, “Executive Compensation – Components of Compensation – Long-Term Incentive Plans” and “Options to Purchase Shares”.

<u>Date of Issuance</u>	<u>Type of Security</u>	<u>Number of Securities Issued</u>	<u>Issuance / Exercise Price per Security</u>	<u>As Adjusted for Pre-Closing Capital Changes</u>	
				<u>Number of Securities Issued</u>	<u>Issuance / Exercise Price per Security</u>
December 12, 2016	Options to acquire Class C Shares	694,575	\$1.15	•	\$ •
June 7, 2017	Options to acquire Class C Shares	2,325,000	\$1.34	•	\$ •
June 7, 2017	Restricted Share Units	74,627	\$1.34	•	\$ •

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding our directors and executive officers at Closing⁽¹⁾:

Name, Province or State and Country of Residence	Position/Title	Principal Occupation
Erol Uzumeri <i>Ontario, Canada</i>	Director, Chairman of the Board ⁽²⁾⁽³⁾	Founding Partner, Searchlight Capital Partners, L.P.
Eric Zinterhofer <i>New York, United States</i>	Director	Founding Partner, Searchlight Capital Partners, L.P.
Joel Teitelbaum <i>Quebec, Canada</i>	Director ⁽²⁾⁽⁴⁾	Chief Executive Officer, iStore Inc.
Dale H. Lastman <i>Ontario, Canada</i>	Lead Director ⁽³⁾⁽⁴⁾⁽⁵⁾	Chair and Partner, Goodmans LLP
Gregory David <i>Ontario, Canada</i>	Director ⁽³⁾⁽⁴⁾⁽⁵⁾	Chief Executive Officer, GRI Capital Inc.
Richard P. Mavrinac <i>Ontario, Canada</i>	Director ⁽²⁾⁽⁴⁾⁽⁵⁾	Consultant
Jim Gabel <i>Ontario, Canada</i>	Director, President and Chief Executive Officer ⁽⁵⁾	President and Chief Executive Officer, Roots
Jim Rudyk <i>Ontario, Canada</i>	Chief Financial Officer	Chief Financial Officer, Roots
Priscilla Shum <i>Ontario, Canada</i>	Chief Merchandising Officer	Chief Merchandising Officer, Roots
Almira Cuizon <i>Ontario, Canada</i>	Vice President, Retail Operations	Vice President, Retail Operations, Roots
James Connell <i>Ontario, Canada</i>	Vice President, e-Commerce and Marketing	Vice President, e-Commerce and Marketing, Roots

Notes:

- (1) Each of Phillip Bacal and Meghan Roach, principals at Searchlight Capital Partners, L.P., and Don Green and Michael Budman, the Founders, are currently directors of the Company. Messrs. Bacal, Green and Budman and Ms. Roach will resign from the Board effective upon Closing. Messrs. Bacal, Green and Budman and Ms. Roach will each be liable as a director under this prospectus.
- (2) Member of our Audit Committee.
- (3) Member of our Governance, Compensation and Nominating Committee.
- (4) Independent director for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) of the Canadian Securities Administrators. See “– Corporate Governance – Director Independence”.
- (5) Will be appointed as director at Closing and will not be liable as a director under this prospectus.

Biographical Information Regarding the Directors and Executive Officers at Closing

Erol Uzumeri (48) – Mr. Uzumeri is a Founding Partner of Searchlight Capital Partners, L.P., and is jointly responsible for overseeing the firm’s activities with the two other Founding Partners. Mr. Uzumeri has served on our Board since December 2015. Mr. Uzumeri is currently Chairman of the board of M&M Food Market. Prior to co-founding Searchlight in 2010, Mr. Uzumeri was the head of Private Equity for the Ontario Teachers’ Pension Plan. Mr. Uzumeri serves on the Board of the Sick Kids Hospital Foundation. Mr. Uzumeri graduated from the University of Toronto, with a Bachelor of Science degree in Honours Industrial Engineering and received a Master of Science degree in Finance from the London Business School.

Eric Zinterhofer (46) – Mr. Zinterhofer is a Founding Partner of Searchlight Capital Partners, L.P., and is jointly responsible for overseeing the firm’s activities with the two other Founding Partners. Mr. Zinterhofer has served on our Board since December 2015. Mr. Zinterhofer serves on the Boards of One Sixty Over Ninety LLC, General Communications, Inc., Hemisphere Media Group, Inc., Liberty Cable Vision of Puerto Rico and TouchTunes Interactive Networks, Inc. In addition, Mr. Zinterhofer currently serves on the board of

Charter Communications, Inc. as Lead Independent Director. Prior to co-founding Searchlight in 2010, Mr. Zinterhofer was a senior partner at Apollo Management, L.P. in New York. Mr. Zinterhofer graduated *Cum Laude* from the University of Pennsylvania, with Bachelor of Arts degrees in Honours Economics and European History and received a Master of Business Administration degree from Harvard Business School.

Joel Teitelbaum (51) – Mr. Teitelbaum is currently the chairman and chief executive officer of iStore Inc., a retail and wholesale licensor of personal electronics and tech accessories, a position he has held since 2010. Prior to that, Mr. Teitelbaum was the president of La Senza International, now a subsidiary of L Brands Inc., from 1998 to 2010. In 1994, Mr. Teitelbaum launched the La Senza brand in the UK where he remained managing director until 1998. Earlier in his career, Mr. Teitelbaum held various senior management positions at Dylex Limited, including at their Club Monaco division. Mr. Teitelbaum has served on our Board since April 2017. Mr. Teitelbaum received a degree in general studies from Marianopolis College in Montreal, Quebec. He also studied for a B.A. in Economics at Concordia University in Montreal, Quebec.

Dale H. Lastman (60) – Mr. Lastman is the chair and a partner at Goodmans LLP. He practices corporate, commercial and securities law and provides counsel in connection with public offerings, mergers and acquisitions, and business restructurings. He is a director of Maple Leaf Sports & Entertainment Ltd. and serves as an Alternate Governor for the NHL and NBA and a Governor of the Toronto Argonauts for the CFL. Mr. Lastman also sits on the board of directors of RioCan Real Estate Investment Trust and the CAMH Foundation. He has been awarded the rank of an Honorary Detective by the Toronto Police Service and was appointed by the Minister of National Defence as an Honorary Captain of the Royal Canadian Navy in 2014. Mr. Lastman previously served on our Board from December 2015 to March 2017.

Gregory David (49) – Mr. David is the chief executive officer of GRI Capital Inc., a private investment management firm, and has been with the company and its affiliates since 2003. From 2000 to 2003, Mr. David provided financial and strategic advisory services to private and public companies. Previously, he worked at Claridge Inc. from 1998 to 2000 and at McKinsey & Co. from 1996 to 1998. Mr. David also currently serves as a director of Dollarama Inc., a position he has held since 2004. Mr. David received a Bachelor of Commerce degree from Queen's University, a Bachelor of Common Law and a Bachelor of Civil law degree from McGill University and a Master of Business Administration with Distinction from Harvard Business School.

Richard P. Mavrinac (64) – Mr. Mavrinac served as the Chief Financial Officer of George Weston Limited and Executive Vice President of Loblaw Companies Limited from 2003 to 2007. Mr. Mavrinac began his career with Loblaw Companies Limited in 1982 and held a variety of senior financial positions. In 1996, he assumed the role of Senior Vice President, Finance for George Weston Limited and Loblaw Companies Limited. Mr. Mavrinac is currently a member of the board of directors of TerrAscend Corp. Mr. Mavrinac has a Bachelor of Commerce degree from the University of Toronto and is a chartered professional accountant.

Jim Gabel (55) – Mr. Gabel is currently the President and Chief Executive Officer of Roots, a position he has held since February 2016. Effective upon closing the Offering, Mr. Gabel will also be appointed to the Board. Mr. Gabel has more than 24 years' experience in the footwear and apparel industry. Prior to joining Roots, Mr. Gabel served as the president of The Performance Group and an officer of Wolverine World Wide from 2014 to 2016, where he oversaw the brands of Saucony, Merrell and Chaco and had global responsibility for U.S.\$1 billion in revenue. Prior to that, Mr. Gabel held a number of senior executive roles at adidas Group from 2008 to 2014, including president of adidas Group Canada and president of Reebok North America. Mr. Gabel currently sits on the board of directors of Keg Restaurants Ltd. and the Terry Fox Foundation. Mr. Gabel received a Bachelor of Business Administration degree from Wilfrid Laurier University.

Jim Rudyk (51) – Mr. Rudyk is currently the Chief Financial Officer of Roots, a position he has held since January 2016. Mr. Rudyk is an experienced and proven financial executive with a track record of supporting ambitious growth plans. Prior to joining Roots, Mr. Rudyk served as the chief financial officer of Shred-it International from 2009 to 2015, where he was instrumental in helping the company grow from approximately \$200 million in revenue to more than \$700 million in revenue, and expand to more than 17

countries around the world. He also served as chief financial officer and chief operating officer of Canada Cartage Systems Limited from 2004 to 2009. Mr. Rudyk received a Bachelor of Arts degree and a Masters of Accounting degree from the University of Waterloo. Mr. Rudyk is a certified chartered accountant and holds an ICD.D designation from the Institute of Corporate Directors.

Priscilla Shum (51) – Ms. Shum is currently the Chief Merchandising Officer of Roots, a position she has held since April 2016. Ms. Shum has 25 years of merchandising and product development experience in the retail industry. Prior to joining Roots, Ms. Shum was the vice president of merchandising and product development at Joe Fresh from 2005 to 2015, and was a merchandising consultant with NY Brands from September 2015 to January 2016. Ms. Shum also spent over five years with Club Monaco in product development and has held various other senior roles in product development and merchandising in Canada. Ms. Shum received a Bachelor of Applied Arts degree from Ryerson University.

Almira Cuizon (44) – Ms. Cuizon is currently the Vice President, Retail Operations of Roots, a position she has held since December 2016. Ms. Cuizon was recruited by Roots from the position of vice president, sales strategy and business development at Holt Renfrew & Co., Limited, a position she held from May 2016 to December 2016 and, prior to that, she worked at Guess Inc. from 2007 to 2016 where she held various positions, including director of stores for Guess and Marciano Canada. Ms. Cuizon has more than 25 years of experience in leading retail operations. Ms. Cuizon received a Bachelor of Arts degree from Brock University.

James Connell (42) – Mr. Connell is currently the Vice President, e-Commerce and Marketing of Roots, a position he has held since 2011. In this role, Mr. Connell is responsible for leading the marketing and e-commerce efforts at Roots with a focus on partnerships, loyalty, and non-traditional and digital marketing. Mr. Connell joined Roots more than 15 years ago and has functioned in a number of roles within the organization, primarily focused in the areas of digital commerce, marketing and direct to consumer sales.

Ownership Interest

Immediately following completion of the Offering, our directors and executive officers, as a group, are expected to beneficially own, or control or direct, directly or indirectly, ● Shares, representing approximately ● % of our issued and outstanding Shares (on a non-diluted basis). This figure excludes ● Shares, representing ● % of our issued and outstanding Shares, that will be beneficially owned by the Searchlight Selling Shareholders immediately following Closing of the Offering, assuming no exercise of the Over-Allotment Option. Messrs. Uzumeri and Zinterhofer, directors of the Company, are managers of Searchlight Capital Partners II GP, LLC, the general partner of Searchlight Capital Partners II GP, L.P., which is the general partner of each of the Searchlight Selling Shareholders. Each of Messrs. Uzumeri and Zinterhofer disclaim beneficial ownership of the Shares held by the Searchlight Selling Shareholders. See “Principal and Selling Shareholders”.

Penalties or Sanctions

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Corporate Governance

We recognize that good corporate governance plays an important role in our overall success and in enhancing shareholder value and, accordingly, we will be adopting upon Closing certain corporate governance policies and practices. The disclosure set out below describes our approach to corporate governance.

Composition of our Board and Board Committees

Under our Articles, our Board is to consist of a minimum of three and a maximum of 15 directors as determined from time to time by the directors. Upon completion of the Offering, our Board will consist of 7 directors, the majority of whom are considered to be independent under Canadian securities laws and all but one of whom are resident Canadians. Under the CBCA, a director may be removed with or without cause by a resolution passed by an ordinary majority of the votes cast by Shareholders present in person or by proxy at a meeting of Shareholders and who are entitled to vote. The directors will be elected by Shareholders at each annual meeting of Shareholders, and all directors will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed.

Certain aspects of the composition and functioning of our Board are governed by the terms of the Investor Rights Agreement. See also “Agreements with Principal Shareholders – Investor Rights Agreement – Nomination Rights”. The nominees for election by Shareholders as directors will be determined by our Governance, Compensation and Nominating Committee in accordance with the provisions of applicable corporate law, the Investor Rights Agreement and the charter of our Governance, Compensation and Nominating Committee. See also “– Committees of our Board – Governance, Compensation and Nominating Committee”.

Director Independence

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of National Instrument 52-110 – *Audit Committees* (“NI 52-110”). Pursuant to NI 52-110, an independent director is a director who is free from any direct or indirect relationship which could, in the view of our Board, be reasonably expected to interfere with a director’s independent judgment. Based on information provided by each director concerning his or her background, employment and affiliations, our Board has determined that, of the 7 directors to be appointed to our Board as of Closing, Erol Uzumeri, Eric Zinterhofer and Jim Gabel are not considered to be “independent” within the meaning of applicable securities laws as a result of their respective relationships with us or Searchlight, as applicable. The Board is currently searching for and intends to appoint an additional independent director who will, upon appointment, also join the Audit Committee. The additional independent director is expected to be in place within one year

following the date of the receipt for the final prospectus. See “Committees of our Board”. Certain members of our Board are also members of the board of directors of other public companies. Our Board has not adopted a director interlock policy, but is keeping informed of other public directorships held by its members.

Meetings of Independent Directors and Conflicts of Interest

Our Board believes that given its size and structure, including the fact that a majority of our directors will be independent upon Closing, it is able to facilitate independent judgment in carrying out its responsibilities and will continue to do so following Closing. To enhance such independent judgment, it is anticipated that the independent members of the Board will hold in-camera meetings with members of management and the non-independent directors not in attendance, as part of regularly scheduled Board meetings. Open and candid discussion among the independent directors is facilitated by the relatively small size of the Board and great weight is attributed to the views and opinions of the independent directors. Our Board has not appointed an independent Chair; however, Dale H. Lastman will be appointed as lead director by our Board and will be responsible for ensuring that the directors who are independent of management have opportunities to meet without management present, as required. The lead director shall be appointed and replaced from time to time by the Board. Discussions will be led by the lead director who will provide feedback subsequently to the Chair.

A director who has a material interest in a matter before our Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by our Board or any committee on which he or she serves, such director may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of the CBCA regarding conflicts of interest.

Majority Voting Policy

The Board believes that each of its members should carry the confidence and support of our Shareholders. To this end, the Board will adopt an individual and majority voting policy that requires that Shareholders be able to vote in favour of, or withhold from voting, separately for each nominee for director and that, in an uncontested election of directors, any nominee for director who receives a greater number of votes “withheld” from his or her election than votes “for” such election must immediately tender his or her resignation to the chair of the Board following the applicable meeting or, if the affected director is the chair, to each member of the Governance, Compensation and Nominating Committee. Any resignation received by the chair of the Board will be promptly referred to the Governance, Compensation and Nominating Committee for consideration. An “uncontested election” means an election where the number of nominees for directors is equal to the number of directors to be elected.

The Governance, Compensation and Nominating Committee will, promptly following the resignation but in any event within 30 days of the applicable Shareholders’ meeting, consider the offer of resignation and will recommend to the Board whether or not to accept it. The Governance, Compensation and Nominating Committee will recommend that the Board accept the resignation absent exceptional circumstances that would warrant the applicable director to continue to serve on the Board.

The Board will act on the Governance, Compensation and Nominating Committee’s recommendation promptly following its receipt thereof and, in any event, within 90 days of the applicable Shareholders’ meeting. The Board will accept the Governance, Compensation and Nominating Committee’s recommendation absent exceptional circumstances. If a resignation is accepted, the Board may, subject to applicable law, our Articles and the Investor Rights Agreement, appoint a new director to fill any vacancy created by the resignation, reduce the size of the Board or call a meeting of Shareholders to appoint a replacement. A resignation will be effective upon its acceptance by the Board. We will promptly issue a news release with the Board’s decision. If the Board determines not to accept a resignation, the news release will fully state the reasons for that decision.

Director Term Limits and Other Mechanisms of Board Renewal

Our Board has not adopted director term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the Governance, Compensation and Nominating Committee of our Board will seek to maintain the composition of our Board in a way that provides, in the judgment of our Board, the best mix of skills and experience to provide for our overall stewardship. Our Governance, Compensation and Nominating Committee is also expected to conduct a process for the assessment of our Board, each committee and each director regarding his, her or its effectiveness and performance, and to report evaluation results to our Board. See also “– Diversity”.

Mandate of our Board of Directors

Our Board is responsible for supervising the management of our business and affairs, including providing guidance and strategic oversight to management. Our Board will adopt a formal mandate in the form set forth in Appendix A that includes the following:

- appointing the Chief Executive Officer;
- appointment, evaluation and development of senior management and succession planning;
- approving the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing the performance of the Chief Executive Officer against such corporate goals and objectives;
- taking steps to satisfy itself as to the integrity of the Chief Executive Officer and other senior executive officers and that the Chief Executive Officer and other senior executive officers create a culture of integrity throughout the organization; and
- reviewing and approving management's strategic and business plans.

Our Board will adopt a written position description for the Chair of the Board, which sets out the Chair's key responsibilities, including, among others, duties relating to setting Board meeting agendas, chairing Board and Shareholder meetings, director development and communicating with Shareholders and regulators. Our Board will adopt a written position description for our lead director. See “– Meetings of Independent Directors and Conflicts of Interest”.

Our Board will adopt a written position description for each of our committee chairs which sets out each of the committee chair's key responsibilities, including, among others, duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

Our Board will adopt a written position description for our Chief Executive Officer which sets out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development of a strategic plan and recommending such plan to our Board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to our Board for consideration and supervising day-to-day management and communicating with Shareholders and regulators.

Orientation and Continuing Education

Following Closing, we will implement an orientation program for new directors under which a new director will meet with the chair, the lead director, members of senior management and our secretary. It is anticipated that new directors will be provided with comprehensive orientation and education as to the nature and operation of Roots and our business, the role of our Board and its committees, and the contribution that an individual director is expected to make. Our Governance, Compensation and Nominating Committee will be responsible for overseeing director continuing education designed to maintain or enhance the skills and abilities of the directors and to ensure that their knowledge and understanding of our business remains current. The chair of each committee will be responsible for coordinating orientation and continuing director development programs relating to the committee's mandate.

Code of Conduct

We will adopt a written code of conduct (the “**Code of Conduct**”) that applies to all of our directors, officers and employees. The objective of the Code of Conduct will be to provide guidelines for maintaining our and our subsidiaries’ integrity, reputation, honesty, objectivity and impartiality. The Code of Conduct will address conflicts of interest, protection of our assets, confidentiality, fair dealing with Shareholders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential or the appearance of conflicts of interest. Our Board will have ultimate responsibility for the stewardship of the Code of Conduct and it will monitor compliance through our Governance, Compensation and Nominating Committee. Directors, officers and employees will be required to annually certify that they have not violated the Code of Conduct. The Code of Conduct will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Committees of our Board

Our Board will establish two committees: the Audit Committee and the Governance, Compensation and Nominating Committee. All members of the Audit Committee will be persons determined by our Board to be independent directors, except during temporary time periods in limited circumstances in accordance with NI 52-110.

Audit Committee

Our Audit Committee will initially consist of three directors, each of whom will be persons determined by our Board to be financially literate within the meaning of NI 52-110 and two of whom will be persons determined by our Board to be independent directors within the meaning of NI 52-110. Our Audit Committee will be comprised of Richard P. Mavrinac, who will act as chair of this committee, Joel Teitelbaum and Erol Uzumeri. In reliance on the phase-in period afforded by section 3.2 of NI 52-110, the Audit Committee will consist exclusively of independent directors within one year following the date of the receipt for our final prospectus. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the relevant education and experience of each member of our Audit Committee, see “– Biographical Information Regarding the Directors and Executive Officers at Closing”. The Board is currently searching for and intends to appoint an additional independent director who, upon appointment, will replace Mr. Uzumeri on the Audit Committee.

Our Board will adopt a written charter in the form set forth in Appendix B, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with NI 52-110. The Audit Committee will assist our Board in discharging its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications and appointment of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management’s responsibility for assessing and reporting on the effectiveness of such controls;
- our risk management processes;
- monitoring and periodically reviewing our whistleblower policy; and
- transactions with our related parties.

Our Audit Committee will have access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It will also have the authority, in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities. Our Audit Committee will also have direct communication channels with the Chief Financial Officer and our external auditors to discuss and review such issues as our Audit Committee may deem appropriate.

External Auditor Service Fee

We incurred the following fees by our external auditor, KPMG LLP, during the periods provided below:

	52 Weeks Ended January 28, 2017	Period from October 14, 2015 (date of incorporation) to January 30, 2016
Audit fees ⁽¹⁾	\$150,000	\$245,000
Tax fees ⁽²⁾	44,000	—
All other fees ⁽³⁾	15,300	—
Total fees paid	\$209,300	\$245,000

Notes:

(1) Fees for audit service on an accrued basis.

(2) Fees for tax compliance, tax advice and tax planning.

(3) All other fees not included above.

Governance, Compensation and Nominating Committee

Our Governance, Compensation and Nominating Committee will initially be comprised of three directors, two of whom will be persons determined by our Board to be independent directors, and will be charged with reviewing, overseeing and evaluating our corporate governance, compensation and nominating policies. Our Governance, Compensation and Nominating Committee will be comprised of Erol Uzumeri, who will act as chair of this committee, Dale H. Lastman and Gregory David. No member of our Governance, Compensation and Nominating Committee will be one of our officers, and as such, our Board believes that our Governance, Compensation and Nominating Committee will be able to conduct its activities in an objective manner.

Our Board believes that the members of the Governance, Compensation and Nominating Committee individually and collectively possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the Governance, Compensation and Nominating Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and on the boards of other publicly traded entities. For additional details regarding the relevant education and experience of each member of our Governance, Compensation and Nominating Committee, including the direct experience that is relevant to each committee member's responsibilities in executive compensation, see "— Biographical Information Regarding the Directors and Executive Officers".

Our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of our Governance, Compensation and Nominating Committee consistent with the Corporate Governance Guidelines. Our Governance, Compensation and Nominating Committee's purpose is to assist our Board in:

- the appointment, performance, evaluation and compensation of our senior executives;
- the recruitment, development and retention of our senior executives;
- maintaining talent management and succession planning systems and processes relating to our senior management;
- developing a compensation structure for our senior executives including salaries, annual and long-term incentive plans including plans involving share issuances and other share-based awards;
- establishing policies and procedures designed to identify and mitigate risks associated with our compensation policies and practices;
- assessing the compensation of our directors;
- developing benefit, retirement and savings plans;

- developing our corporate governance guidelines and principles and providing us with governance leadership;
- identifying and overseeing the recruitment of candidates qualified to be nominated as members of our Board;
- reviewing the structure, composition and mandate of Board committees; and
- evaluating the performance and effectiveness of our Board and of our Board committees.

Our Governance, Compensation and Nominating Committee will be responsible for establishing and implementing procedures to evaluate the performance and effectiveness of our Board, committees of our Board and the contributions of individual Board members. Our Governance, Compensation and Nominating Committee will also take reasonable steps to evaluate and assess, on an annual basis, directors' performance and effectiveness of our Board, committees of our Board, individual Board members, our chair and committee chairs. The assessment will address, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy. Our Board will receive and consider the recommendations from our Governance, Compensation and Nominating Committee regarding the results of the evaluation of the performance and effectiveness of our Board, committees of our Board, individual Board members, our chair and committee chairs. In identifying new candidates for our Board, the Governance, Compensation and Nominating Committee will consider what competencies and skills our Board, as a whole, should possess and assess what competencies and skills each existing director possesses, considering our Board as a group, and the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic. Our Governance, Compensation and Nominating Committee will also be responsible for orientation and continuing education programs for our directors. See also "– Orientation and Continuing Education".

Historically, our Board has approved the compensation of our Chief Executive Officer, as well as, based on the recommendations of the Chief Executive Officer, the compensation of our other executive officers, including the NEOs (as defined herein). In anticipation of becoming a public company, our Board may adopt certain changes to the existing executive compensation regime. All such changes are subject to and conditional upon the successful completion of the Offering. The compensation expected to be paid to NEOs for our first fiscal year as a public company is set forth under "Executive Compensation – Summary Compensation Table".

Further particulars of the process by which compensation for our executive officers is determined is provided under "Executive Compensation".

Diversity

We believe that having a diverse Board can offer a breadth and depth of perspectives that enhance our Board's performance. We value diversity of abilities, experience, perspective, education, gender, background, race and national origin. Recommendations concerning director nominees are expected to be based on merit and past performance as well as expected contribution to our Board's performance and, accordingly, diversity is taken into consideration. At Closing, 0 of 7 members on our Board (0%) will be female members. We are, however, committed to diversity on our Board and are actively pursuing, and currently expect to increase, female representation on our Board within the next fiscal year.

We have recruited and selected senior management candidates that represent a diversity of business understanding, personal attributes, abilities and experience. Currently, 2 of 5 members of our senior management, or 40%, are female.

We do not currently have a formal policy for the representation and nomination of women on our Board or our senior management, as we have been successful in recruiting and retaining qualified female directors and senior management under our existing recruitment policies and processes. We have not adopted formal targets for gender or other diversity representation in part due to the need to consider a balance of criteria for each individual appointment.

We anticipate that the composition of our Board and senior management will be shaped by the selection criteria to be established by our Governance, Compensation and Nominating Committee. This will be achieved by, among other things, ensuring that diversity considerations are taken into account in Board vacancies and senior management, monitoring the level of female representation on our Board and in senior management positions, continuing to broaden recruiting efforts to attract and interview qualified female candidates, and committing to retention and training to ensure that our most talented employees are promoted from within our organization.

Disclosure Policy

The Board will adopt a Disclosure Policy to deal with the timely dissemination of all material information. The Disclosure Policy, which will be reviewed annually, establishes consistent guidance for determining what information is material and how it is to be disclosed to avoid selective disclosure and to ensure wide dissemination. The Board, directly and through its committees, reviews and approves the contents of major disclosure documents, including annual and interim consolidated financial statements, prospectuses, the annual information form, management's discussion and analysis and the management information circular. The Company seeks to communicate to its Shareholders through these documents as well as by means of news releases, its website and investor relations calls and meetings.

Disclosure Committee

A Disclosure Committee comprised of senior management of the Company oversees the Company's disclosure process as outlined in the Disclosure Policy. The Disclosure Committee's mandate includes ensuring that effective controls and procedures are in place to allow the Company to satisfy all of its continuous disclosure obligations, including certification requirements. The Disclosure Committee is also responsible for ensuring that the policies and procedures contained in the Disclosure Policy are in compliance with regulatory requirements. Our Audit Committee will be responsible for reviewing our disclosure relating to our financial reporting.

Directors' and Officers' Liability Insurance

Our and our subsidiaries' directors and officers are covered under our existing directors' and officers' liability insurance. Under this insurance coverage, we and our subsidiaries will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our and our subsidiaries directors and officers, subject to a deductible for each loss, which will be paid by us. Our and our subsidiaries' individual directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us or our subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of the compensation program for the named executive officers ("NEOs") of the Company. The discussion below also reflects certain contemplated changes to our compensation program that would be implemented in connection with, and contingent upon, the completion of this Offering. The anticipated NEOs for Fiscal 2017 are:

- Jim Gabel, President and Chief Executive Officer;
- Jim Rudyk, Chief Financial Officer;
- Priscilla Shum, Chief Merchandising Officer;
- James Connell, Vice President, e-Commerce and Marketing; and
- Almira Cuizon, Vice President, Retail Operations.

Compensation Discussion and Analysis

Overview

We operate in a highly competitive and evolving market. To succeed in this market and achieve our strategic business and financial objectives, we need to attract, retain and motivate a highly talented executive team. Our executive compensation program is designed to achieve the following objectives:

- provide compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to our success;
- motivate our executive team to achieve our strategic business and financial objectives;
- align the interests of our executive officers with those of our shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of our business; and
- provide incentives that encourage appropriate levels of risk-taking by our executive team.

We offer our executive officers cash compensation in the form of base salary and an annual bonus, and equity-based compensation which has historically been awarded in the form of stock options under the Legacy Equity Incentive Plan or the Legacy Employee Option Plan. In the future, we may grant long-term incentives consisting of stock options, performance share units (“**PSUs**”) and/or restricted share units (“**RSUs**”) under our new omnibus equity incentive plan (the “**Omnibus Plan**”) to our executive officers, though no such grants are contemplated at this time. We believe that equity-based compensation awards motivate our executive officers to achieve our strategic business and financial objectives, and also align their interests with the long-term interests of our Shareholders. While we have determined that our current executive officer compensation program is effective at attracting and maintaining executive officer talent, we will continue to evaluate our compensation practices on an ongoing basis to ensure that we are providing competitive compensation opportunities for our executive team.

As we transition from being a privately held company to a publicly traded company, we will continue to evaluate our compensation philosophy and compensation program as circumstances require and plan to continue to review the compensation of our executive team on an annual basis. As part of this review process, we expect to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to us if we were required to find a replacement for a key employee.

Compensation-Setting Process

Our Governance, Compensation and Nominating Committee will be responsible for assisting our Board in fulfilling its governance and supervisory responsibilities, and overseeing our human resources, succession planning, and compensation policies, processes and practices. Our Governance, Compensation and Nominating Committee will also be responsible for ensuring that our compensation policies and practices provide an appropriate balance of risk and reward consistent with our risk profile.

Our Board will adopt a written charter for our Governance, Compensation and Nominating Committee setting out its responsibilities for administering our compensation programs and reviewing and making recommendations to our Board concerning the level and nature of the compensation payable to our directors and executive officers. Our Governance, Compensation and Nominating Committee’s oversight will include reviewing objectives, evaluating performance and ensuring that total compensation paid to our executive officers, personnel who report directly to our CEO and various other key officers and managers is fair, reasonable and consistent with the objectives and philosophy of our compensation program. See also “Directors and Executive Officers – Committees of our Board – Governance, Compensation and Nominating Committee.”

It is anticipated that our CEO will make recommendations to the Governance, Compensation and Nominating Committee each year with respect to the compensation for the other NEOs.

The Governance, Compensation and Nominating Committee will meet annually to review the compensation program and make recommendations for any changes to the Board, as appropriate. As part of this annual review, the committee may engage an independent compensation consultant to evaluate the Company's executive compensation program against market practice.

Risk and Executive Compensation

In reviewing our compensation policies and practices each year, the Governance, Compensation and Nominating Committee will seek to ensure the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of the Company. The Governance, Compensation and Nominating Committee will also seek to ensure the Company's compensation practices do not encourage excessive risk-taking behaviour by the executive team.

Share Ownership Guidelines

All of our executive officers, including the NEOs, will be expected to maintain a significant equity investment in the Company to align their interests with those of our Shareholders, and mitigate against the likelihood of undue risk-taking. The executive share ownership guidelines, described below under “– Executive Share Ownership Guidelines”, will establish minimum equity ownership levels for our executive officers based on a multiple of their base salary and their level of seniority.

Trading Restrictions

All of our executive officers, including the NEOs, directors and employees will be subject to our insider trading policy, which will prohibit trading in our securities while in possession of material undisclosed information about the Company. Under this policy, such individuals will also be prohibited from entering into certain types of hedging transactions involving the securities of the Company, such as short sales, puts and calls. Furthermore, we will permit our executive officers, including the NEOs, to trade in the Company's securities, including the exercise of options, only during prescribed trading windows.

Clawback Policies

We intend to adopt a clawback policy relating to annual bonus payments and long-term incentive awards to executive officers, including the NEOs, that may be triggered if an executive officer engages in misconduct that results in the need to restate our financial statements where the individual received an award calculated on the achievement of those financial statements and the award received would have been lower had the financial statements been properly reported. The clawback policy will also provide that a clawback may be triggered if an executive officer commits a material breach of the Code of Conduct. The policy will require that when the clawback is triggered, the executive officer must repay all of the incentive payments received over a specified period preceding the triggering event.

Components of Compensation

Upon completion of the Offering, the compensation of our executive officers is expected to include three major elements: (i) base salary, (ii) short-term incentives, consisting of an annual bonus, and (iii) long-term equity incentives, consisting of stock options, PSUs and/or RSUs granted from time to time under the Omnibus Plan. Perquisites and benefits are not expected to be a significant element of compensation of our executive officers.

Base Salaries

Base salary is provided as a fixed source of compensation for our executive officers. Base salaries are determined on an individual basis taking into account the scope of the executive officer's responsibilities and their prior experience. Base salaries are expected to be reviewed annually by the Board and may be increased based on the executive officer's success in meeting or exceeding individual objectives, as well as to maintain market competitiveness. In addition, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive officer's role or responsibilities.

Annual Bonuses

Annual bonuses are designed to motivate our executive officers to meet our strategic business and financial objectives generally and our annual financial performance targets in particular. Annual bonus targets are set as a percentage of the relevant executive officer's base salary, which varies based on his or her position – of 40% to 75% of base salary in the case of executive officers, if financial performance targets are achieved. Individual annual bonus payouts will be higher or lower than the target amount depending on the level of achievement of the applicable performance targets. We currently make annual bonus payments in cash and anticipate continuing to do so upon completion of the Offering. Bonus payments are expected to be determined by the Board on the recommendation of the Governance, Compensation and Nominating Committee.

Long-Term Incentive Plans

Omnibus Equity Incentive Plan

Upon completion of the Offering, we will establish the Omnibus Plan. The Omnibus Plan will provide eligible participants with compensation opportunities that will encourage ownership of our Shares, enhance our ability to attract, retain and motivate our executive officers and other key management and incentivize them to increase the long term growth and equity value of our Company in alignment with the interests of Shareholders. The material features of the Omnibus Plan are summarized below.

Administration and Eligibility

The Omnibus Plan will be administered by our Board, provided that the Board may, in its discretion, delegate its administrative powers under the Omnibus Plan to the Governance, Compensation and Nominating Committee. Employees of the Company and its designated affiliates will be eligible to participate in the Omnibus Plan. Non-employee directors will not be eligible to participate in the Omnibus Plan.

Shares Subject to the Omnibus Plan and Participation Limits

The maximum number of Shares that will be available for issuance under the Omnibus Plan is ● , which is expected to represent approximately 4% of the issued and outstanding Shares upon completion of the Offering. Shares underlying Options that have expired or have been cancelled will become available for subsequent issuance under the Omnibus Plan. Shares underlying RSUs, PSUs and Dividend Share Units (as defined below) that have expired or have been cancelled or settled in cash or without issuing Shares from treasury will become available for subsequent issuance under the Omnibus Plan.

No more than 5% of the outstanding Shares may be issued under the Omnibus Plan or pursuant to any other security-based compensation arrangements of the Company to any one person. The number of Shares that may be (i) issued to insiders of the Company within any one-year period, or (ii) issuable to insiders of the Company at any time, in each case, under the Omnibus Plan alone, or when combined with all of the Company's other security-based compensation arrangements, cannot exceed 10% of the outstanding Shares.

Options

The exercise price for Options will be determined by our Board, which may not be less than the fair market value of a Share (being the closing price of a Share on the TSX on the last trading day immediately prior to the applicable date (the "**Market Value**")) on the date the Option is granted. Options will vest in accordance with the vesting schedule established on the grant date, which is generally expected to be 20% on each of the first five anniversaries of the grant date.

Options must be exercised within a period fixed by our Board that may not exceed 10 years from the date of grant, provided that if the expiry date falls during or within 10 business days immediately following a blackout period, the expiry date will be automatically extended until 10 business days after the end of the blackout period. The Omnibus Plan will also provide for earlier expiration of Options upon the occurrence of certain events, including the termination of a participant's employment.

In order to facilitate the payment of the exercise price of the Options, the Omnibus Plan will have a cashless exercise feature (with a full deduction from the number of Shares available for issuance under the Omnibus Plan). The participant may elect to receive (i) an amount in cash equal to the cash proceeds realized upon the sale of the Shares underlying the Options by a securities dealer in the capital markets, minus the aggregate exercise price, any applicable withholding taxes and any transfer costs charged by the securities dealer, (ii) a number of Shares that is equal to the number of Shares underlying the unexercised Options, minus the number of Shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the aggregate exercise price, any applicable withholding taxes and any transfer costs charged by the securities dealer, or (iii) a combination of (i) and (ii).

RSUs and PSUs

An RSU is a right to acquire a Share or a cash payment equal to the Market Value thereof that generally becomes vested, if at all, following a period of continuous employment. PSUs are similar to RSUs, but their vesting is, in whole or in part, conditioned on the attainment of specified performance metrics as may be determined by the Board.

The terms and conditions of grants of RSUs or PSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to the awards, will be set out in the participant's grant agreement.

In the case of PSUs, the performance-related vesting conditions may include financial or operational performance of the Company, total shareholder return, individual performance criteria or other criteria as determined by our Board, which will be measured over a specified period.

Subject to the achievement of the applicable vesting conditions, on the settlement date of an RSU or PSU, the Company will either (i) issue from treasury the number of Shares covered by the RSUs or PSUs and related Dividend Share Units, or (ii) deliver to the participant an amount in cash that is equal to the number of Shares underlying the RSUs or PSUs and related Dividend Share Units, minus any applicable withholding taxes, multiplied by the Market Value as at the settlement date.

Dividend Share Units

When dividends (other than share dividends) are paid on Shares, additional share units ("**Dividend Share Units**") will be automatically granted to each participant who holds RSUs or PSUs on the record date for such dividends. This treatment does not apply to Options. The number of Dividend Share Units to be granted to a participant is equal to the aggregate number of RSUs and PSUs held by the participant on the relevant record date multiplied by the amount of the dividend paid by the Company on each Share, and then divided by the Market Value of the Shares on the dividend payment date. Dividend Share Units granted to a participant will be subject to the same vesting conditions applicable to the related RSUs or PSUs.

Termination of Employment

Unless otherwise determined by our Board upon a participant's resignation or termination of employment without cause, all rights, title and interest in awards granted to the participant under the Omnibus Plan that are unvested on the termination date will be forfeited. Options that have vested as of the termination date may be exercised until the earlier of (i) 30 days after the termination date (in the event of a resignation) or 90 days after the termination date (in the event of a termination without cause), and (ii) the expiry date of the Options, after which time all remaining vested Options will expire.

Unless otherwise determined by our Board, upon termination of a participant's employment for cause, all rights, title and interest in awards granted to the participant under the Omnibus Plan, whether vested or unvested on the termination date, will be forfeited.

Unless otherwise determined by our Board, upon a participant's termination of employment as a result of death, retirement or disability, all rights, title and interest in Options granted to the participant under the

Omnibus Plan which are unvested on the date of death, retirement or disability, as applicable, will be forfeited. Options that have vested as of the date of death, retirement or disability, as applicable, may be exercised until the earlier of 12 months after the date of death, retirement or disability, as applicable, and the expiry date of the Options, after which time all Options will expire.

Unless otherwise determined by our Board, upon a participant's termination of employment as a result of death, retirement or disability, a pro rata portion of the participant's unvested RSUs and PSUs will vest and be settled (assuming target performance was achieved in respect of PSUs).

Change of Control

Unless otherwise determined by our Board, if a participant's employment is terminated without cause or the participant resigns with good reason, in each case, within 12 months following a change of control of the Company, all RSUs and PSUs granted to the participant under the Omnibus Plan will immediately vest and be settled (based on the performance achieved up to the termination date in respect of PSUs) and all Options will immediately vest and be exercisable until the earlier of 12 months after the termination date and the expiry date of the Options, after which time all Options will expire.

In the event of a change of control of the Company, our Board has the authority to take all necessary steps to ensure the preservation of the economic interests of the participants in, and to prevent the dilution or enlargement of, any awards granted under the Omnibus Plan, including ensuring that the Company or any entity which is or would be the successor to the Company or which may issue securities in exchange for the Shares upon the change of control will assume each outstanding award, or provide each participant with new, replacement or amended awards which will continue to vest following the change of control on similar terms and conditions as provided in the Omnibus Plan, failing which all outstanding awards will vest and be settled (having regard to the performance achieved prior to the change of control in respect of PSUs) or be exercisable, as applicable, prior to the date on which the change of control is consummated.

Adjustments

In the event of any share dividend, share split, combination or exchange of shares, merger, amalgamation, arrangement, consolidation, spin-off or other distribution (other than normal cash dividends) of the Company's assets to shareholders, or any other change in the capital of the Company affecting Shares (collectively, "**Adjustment Events**"), our Board will make such proportionate adjustments, if any, as it deems appropriate to reflect such change with respect to the number or kind of securities subject to outstanding awards under the Omnibus Plan, the exercise price of outstanding Options and the number of RSUs or PSUs granted to a participant, in order to preserve the proportion of the rights and obligations of the participants under the Omnibus Plan.

Amendment or Discontinuance

Our Board will be able to amend, suspend or terminate the Omnibus Plan, or any portion thereof, subject to applicable law and stock exchange rules that requires the approval of shareholders or any governmental or regulatory body, provided that no such action may be taken that adversely alters or impairs any rights of a participant under any award previously granted by the Company without the consent of such affected participant.

Notwithstanding the above, our Board will be able to make certain amendments to the Omnibus Plan or to any award outstanding thereunder without seeking shareholder approval, including housekeeping amendments, amendments to comply with applicable law or stock exchange rules, amendments to reduce or restrict participation or amendments to the vesting, termination or early termination provisions of the Omnibus Plan. However, the following types of amendments will not be able to be made without obtaining shareholder approval:

- increasing the number of Shares reserved for issuance under the Omnibus Plan;
- increasing the length of the period after a blackout period during which Options may be exercised;

- permitting the participation of non-employee directors in the Omnibus Plan;
- removing or exceeding the insider participation limit;
- reducing the exercise price of an Option, except pursuant to an Adjustment Event;
- extending the expiry date of an award, except for an automatic extension of an award that expires during or shortly following a blackout period;
- permitting awards to be transferred or assigned other than for normal estate settlement purposes; or
- amending the amendment provision under the Omnibus Plan.

Assignment

Except as required by law, the rights of a participant under the Omnibus Plan are not transferable or assignable.

No awards are expected to be granted to the NEOs under the Omnibus Plan in connection with Closing.

Legacy Equity Incentive Plan

The Company's Amended and Restated Equity Incentive Plan (the "**Legacy Equity Incentive Plan**") is a part of a legacy compensation program pursuant to which four executive officers and one director of the Company were granted time based options or performance based options to purchase shares in the capital of the Company and/or RSUs that provide rights to acquire shares in the capital of the Company, which generally become vested subject to the attainment of time vesting conditions and the satisfaction of other conditions to vesting as determined by the plan administrator. No additional awards will be made under the Legacy Equity Incentive Plan, but options and RSUs previously granted under the plan will remain outstanding in accordance with their terms and will continue to be governed by the provisions of the Legacy Equity Incentive Plan following Closing.

Pursuant to the Pre-Closing Capital Changes, each option granted under the Legacy Equity Incentive Plan will be exchanged on a ● -to-one basis for options to acquire Shares at a post-consolidation exercise price such that the in-the-money value of each option remains unchanged. Under the Legacy Equity Incentive Plan (as adjusted to reflect the Pre-Closing Capital Changes) there are currently outstanding options to purchase an aggregate of ● Shares held by a total of four participants, which is expected to represent approximately ● % of the issued and outstanding Shares upon completion of the Offering, and outstanding RSUs to acquire an aggregate of ● Shares held by one participant, which is expected to represent approximately ● % of the issued and outstanding Shares upon completion of the Offering.

Time based options granted under the Legacy Equity Incentive Plan generally vest as to 20% on each anniversary of the applicable grant date. Accordingly, the first portion of the time based options granted to Messrs. Gabel and Rudyk and Ms. Shum in 2016 vested on February 24, 2017, January 6, 2017 and April 11, 2017, respectively, and the first portion of the time based options granted to Ms. Cuizon in 2016 will vest on December 12, 2017. The performance based options granted to such NEOs in 2016 generally vest in connection with and are conditional on a liquidity sale, a public sale, which includes the Offering, or a liquidation (each a "**Realization Event**") and the achievement of financial performance hurdles. Additionally, if a Realization Event is a public sale and the Searchlight Selling Shareholders do not dispose of all of its Shares in connection with such sale, 100% of the outstanding performance based options will vest and become exercisable on the date the applicable financial performance hurdles are achieved. Any option that is not vested on the earliest of a Realization Event (other than a public sale) and a participant's death, disability, retirement, voluntary resignation or termination by the Company (with or without cause), is forfeited and cancelled and may not be exercised. If a participant is terminated with cause, such participant's options, whether or not vested, will be immediately forfeited and cancelled and may not be exercised. Subject to earlier expiration in connection with a termination of employment as provided for under the

Legacy Equity Incentive Plan, options granted thereunder have a ten-year term. In order to facilitate the payment of the exercise price of the options, the Legacy Equity Incentive Plan has a cashless exercise feature. In addition to exercising vested options for Shares under the Legacy Equity Incentive Plan, following a public sale, a participant may elect to receive (i) an amount in cash per option equal to the cash proceeds realized upon the sale of Shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of Shares that is equal to the number of Shares underlying the vested options minus the number of Shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the Shares will be deducted from the net proceeds payable to the participant.

None of the NEOs currently have any outstanding RSUs under the Legacy Equity Incentive Plan.

Legacy Employee Option Plan

The Company's Employee Option Plan (the "**Legacy Employee Option Plan**") is a part of a legacy compensation program pursuant to which certain employees, directors and consultants of the Company or its subsidiaries were granted options to purchase shares in the capital of the Company. No additional awards will be made under the Legacy Employee Option Plan, but options previously granted under the plan will remain outstanding in accordance with their terms and will continue to be governed by the provisions of the plan. There will be no acceleration of vesting of options in connection with Closing.

Pursuant to the Pre-Closing Capital Changes, each option granted under the Legacy Employee Option Plan will be exchanged on a ● -to-one basis for options to acquire Shares at a post-consolidation exercise price such that the in-the-money value of each option remains unchanged. Under the Legacy Employee Option Plan (as adjusted to reflect the Pre-Closing Capital Changes) there are currently outstanding options to purchase an aggregate of ● Shares, which is expected to represent approximately ● % of the issued and outstanding Shares upon completion of the Offering.

Options granted under the Legacy Employee Option Plan generally commence vesting on the earlier of (i) the eighth anniversary of the grant date, and (ii) the first anniversary of the consummation of a public sale, which includes the Offering. If the option commences vesting on the eighth anniversary of the grant date, the option will vest as to 1/3 on each of the eighth, ninth and tenth anniversaries of the grant date. If the option commences vesting on the first anniversary of the consummation of a public sale, the option will vest as to 1/3 on each of the first, second and third anniversaries of the consummation of the public sale. Accordingly, the first portion of Mr. Connell's options, which were granted in 2017, will vest in 2018 on the first anniversary of the Closing. Any option that is not vested as of a participant's death, disability, retirement, voluntary resignation or termination by the Company (with or without cause), is forfeited and cancelled and may not be exercised. If a participant is terminated with cause, such participant's options, whether or not vested, will be immediately forfeited and cancelled and may not be exercised.

Subject to earlier expiration in connection with a termination of employment as provided for under the Legacy Employee Option Plan, the options granted to Mr. Connell will expire on June 7, 2028. In addition to exercising vested options for Shares under the Legacy Employee Option Plan, following a public sale, a participant may elect to receive (i) an amount in cash per option equal to the cash proceeds realized upon the sale of Shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of Shares that is equal to the number of Shares underlying the vested options minus the number of Shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the Shares will be deducted from the net proceeds payable to the participant.

Retirement Arrangements

We maintain a group retirement savings plan for certain employees, including the NEOs, to assist employees in preparing for their retirement. We make contributions to the plan in respect of each participant.

Benefit Plans

We provide our executive officers, including the NEOs, with life, disability, health and dental insurance programs on the same basis as other employees as well as paid time off. We offer these benefits consistent with local market practice.

Perquisites

We generally do not offer significant perquisites as part of our compensation program, unless otherwise described below under “– Employment Agreements”.

Executive Share Ownership Guidelines

We will establish executive share ownership guidelines to further align the interests of our executive officers with those of our Shareholders. The ownership guidelines will establish minimum equity ownership levels for executive officers based on a multiple of their base salary and their level of seniority. Executive officers will be expected to meet the prescribed ownership levels within five years of the later of Closing and the date of their appointment to an executive position. Shares and the value of RSUs and PSUs (calculated at target) will be included in determining an individual’s ownership value.

The following table shows the expected ownership guideline for the executive officers:

<u>Level</u>	<u>Base Salary Multiple</u>
Chief Executive Officer	4.0x
Chief Financial Officer	2.0x
Chief Merchandising Officer	1.5x
Other Executive Officers	1.0x

Termination and Change of Control Benefits

For a summary of the termination and change of control benefits provided under each long-term incentive plan, please refer to the “– Components of Compensation – Long-Term Incentive Plans”. For a summary of the termination benefits provided under the NEOs’ employment agreements, please refer to the “– Employment Agreements” section below.

Summary Compensation Table

The following table sets out information concerning the expected Fiscal 2017 compensation to be earned by, paid to, or awarded to the NEOs.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)⁽¹⁾</u>	<u>Share- Based Awards (\$)</u>	<u>Option- Based Awards (\$)⁽²⁾</u>	<u>Non-Equity Incentive Plan Compensation</u>		<u>All Other Compensation (\$)⁽⁴⁾</u>	<u>Total Compensation (\$)</u>
					<u>Annual Incentive Plans (\$)⁽³⁾</u>	<u>Long-Term Incentive Plans (\$)</u>		
Jim Gabel <i>President & Chief Executive Officer</i>	2017	\$ ●	—	—	\$ ●	—	\$ ●	\$ ●
Jim Rudyk <i>Chief Financial Officer</i>	2017	\$ ●	—	—	\$ ●	—	\$ ●	\$ ●
Priscilla Shum <i>Chief Merchandising Officer</i>	2017	\$ ●	—	—	\$ ●	—	\$ ●	\$ ●
James Connell <i>Vice President, e-Commerce & Marketing</i>	2017	\$ ●	—	\$ ●	\$ ●	—	\$ ●	\$ ●
Almira Cuizon <i>Vice President, Retail Operations</i>	2017	\$ ●	—	—	\$ ●	—	\$ ●	\$ ●

Notes:

- (1) Represents the base salary expected to be paid in Fiscal 2017.
- (2) Reflects the grant date fair value of stock options that were granted in Fiscal 2017 (determined in accordance with the Black-Scholes valuation model).
- (3) Amounts reflect annual target bonus for each NEO; actual amounts will depend on performance for Fiscal 2017 and may be higher or lower than these amounts.
- (4) Reflects amounts in respect of car and clothing allowances, executive medical coverage and contributions made by the Company on behalf of the NEOs pursuant to the group retirement savings plan and other benefits.

Employment Agreements

Jim Gabel, President and Chief Executive Officer

Mr. Gabel's employment agreement provides for base salary, an annual performance bonus, benefits and participation in the Legacy Equity Incentive Plan.

The employment agreement with Mr. Gabel specifies the amounts or items payable, including severance, to Mr. Gabel in the event that he is terminated without cause or resigns with good reason. The payment of severance to Mr. Gabel is conditioned on his execution of a release of claims.

If Mr. Gabel is terminated without cause or resigns with good reason, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, we will pay Mr. Gabel severance equal to his annual base salary, plus his annual cash bonus incentive entitlement (if any) calculated pro rata for the period up to the termination date based on the achievement of the incentive bonus target to such date. Unless otherwise agreed between us and Mr. Gabel, severance will be paid (i) as to 50% on the termination date, and (ii) as to the remaining 50%, on a regular payroll basis in equal instalments over a period of 12 months.

If Mr. Gabel's employment is terminated with cause or due to his resignation, he will not be entitled to any severance, notice or payment in lieu of notice or similar payment in respect of such termination or resignation, other than payment of his accrued but unpaid base salary and vacation pay up to the termination date and any payments required by applicable employment standards legislation.

Mr. Gabel's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Gabel's employment and for the 6 months and 18 months following the termination of his employment, respectively.

Jim Rudyk, Chief Financial Officer

Mr. Rudyk's employment agreement provides for base salary, an annual performance bonus, benefits and participation in the Legacy Equity Incentive Plan.

The employment agreement with Mr. Rudyk specifies the amounts or items payable, including severance, to Mr. Rudyk in the event that he is terminated without cause or resigns with good reason. The payment of severance to Mr. Rudyk is conditioned on his execution of a release of claims.

If Mr. Rudyk is terminated without cause or resigns with good reason, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, we will pay Mr. Rudyk: (i) his annual cash bonus incentive entitlement (if any) calculated pro rata for the period up to the termination date based on achievement of the incentive bonus target to such date, and (ii) an amount equal to his base salary on a regular payroll basis in equal installments over a period of 12 months.

If Mr. Rudyk's employment is terminated with cause or due to his resignation, he will not be entitled to any severance, notice or payment in lieu of notice or similar payment in respect of such termination or resignation, other than payment of his accrued but unpaid base salary and vacation pay up to the termination date and any payments required by applicable employment standards legislation.

Mr. Rudyk's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Rudyk's employment and for the 6 months and 18 months following the termination of his employment, respectively.

Priscilla Shum, Chief Merchandising Officer

Ms. Shum's employment agreement provides for base salary, an annual performance bonus, benefits and participation in the Legacy Equity Incentive Plan.

The employment agreement with Ms. Shum specifies the amounts or items payable, including severance, to Ms. Shum in the event that she is terminated without cause. The payment of severance to Ms. Shum is conditioned on her execution of a release of claims.

If Ms. Shum is terminated without cause, then in addition to her accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, we will pay to Ms. Shum (i) her annual cash bonus incentive entitlement (if any) calculated pro rata for the period up to the termination date based on achievement of the incentive bonus target to such date, and (ii) an amount equal to one-half of her base salary, plus after three completed years of service, one additional month of base salary per completed year of service, up to a maximum aggregate amount of one full year of base salary (the "**Shum Severance Period**"). Ms. Shum's severance is to be paid on a regular payroll basis in equal installments over the applicable severance period.

If Ms. Shum's employment is terminated with cause or due to her resignation, she will not be entitled to any severance, notice or payment in lieu of notice or similar payment in respect of such termination or resignation, other than payment of her accrued but unpaid base salary and vacation pay up to the termination date and any payments required by applicable employment standards legislation.

Ms. Shum's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of her employment, including non-competition and non-solicitation provisions which are in effect during Ms. Shum's employment and for the Shum Severance Period and 18 months following the termination of her employment, respectively.

James Connell, Vice President, e-Commerce and Marketing

Mr. Connell's employment agreement provides for base salary, an annual performance bonus and benefits. Mr. Connell also participates in the Legacy Employee Option Plan.

The employment agreement also specifies the amounts or items payable, including severance, to Mr. Connell in the event that he is terminated without cause. The payment of severance to Mr. Connell is conditioned on his execution of a release of claims.

If Mr. Connell is terminated without cause, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, we will pay to Mr. Connell (i) his annual cash bonus incentive entitlement (if any) calculated pro rata for the period up to the termination date based on achievement of the incentive bonus target to such date, and (ii) as severance, (a) an amount equal to one half of the aggregate of (x) his base salary as at the termination date, (y) the annual value of his automobile allowance (if any) as at the termination date, and (z) the average of all annual incentive bonuses paid or payable to Mr. Connell for the two full fiscal years completed immediately prior to the termination date (the "**Severance Compensation**"), plus (b) an amount equal to one-twelfth of the Severance Compensation multiplied by the number of completed years of employment by Mr. Connell following February 1, 2015, provided that, the total severance payable is subject to a maximum of two times the Severance Compensation. Mr. Connell's severance is payable on a regular payroll basis in approximately equal installments over the period of time following the termination date equal to 18 months plus one additional month for each year of completed employment by Mr. Connell following February 1, 2015, up to a maximum of 24 months, and ending once the severance has been fully paid.

If Mr. Connell's employment is terminated with cause or due to his resignation, he will not be entitled to any severance, notice or payment in lieu of notice or similar payment in respect of such termination or resignation, other than payment of his accrued but unpaid base salary and vacation pay up to the termination date and any payments required by applicable employment standards legislation.

Mr. Connell's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Connell's employment and for the 6 months and 12 months following the termination of his employment, respectively.

Almira Cuizon, Vice President, Retail Operations

Ms. Cuizon's employment agreement provides for base salary, an annual performance bonus, benefits and participation in the Legacy Equity Incentive Plan.

The employment agreement with Ms. Cuizon specifies the amounts or items payable, including severance, to Ms. Cuizon in the event that she is terminated without cause. The payment of severance to Ms. Cuizon is conditioned on her execution of a release of claims.

If Ms. Cuizon is terminated without cause, then in addition to her accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, we will pay to Ms. Cuizon (i) her annual cash bonus incentive entitlement (if any) calculated pro rata for the period up to the termination date based on achievement of the incentive bonus target to such date, and (ii) an amount equal to one-half of her base salary, plus after three completed years of service, one additional month of base salary per completed year of service, up to a maximum aggregate amount of one full year of base salary (the "**Cuizon Severance Period**"). Ms. Cuizon's severance is to be paid on a regular payroll basis in equal installments over the applicable severance period.

If Ms. Cuizon's employment is terminated with cause or due to her resignation, she will not be entitled to any severance, notice or payment in lieu of notice or similar payment in respect of such termination or resignation, other than payment of her accrued but unpaid base salary and vacation pay up to the termination date and any payments required by applicable employment standards legislation.

Ms. Cuizon's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of her employment, including non-competition and non-solicitation provisions which are in effect during Ms. Cuizon's employment and for the Cuizon Severance Period.

The table below shows the incremental payments that would be made to our NEOs under the terms of their employment agreements upon the occurrence of certain events, if such events were to occur immediately following completion of the Offering.

Name and Principal Position	Event	Severance	Other Payments	Total
Jim Gabel <i>President & Chief Executive Officer</i>	Termination without cause or resignation with good reason	\$ ●	\$ ●	\$ ●
Jim Rudyk <i>Chief Financial Officer</i>	Termination without cause or resignation with good reason	\$ ●	\$ ●	\$ ●
Priscilla Shum <i>Chief Merchandising Officer</i>	Termination without cause	\$ ●	\$ ●	\$ ●
James Connell <i>Vice President, e-Commerce & Marketing</i>	Termination without cause	\$ ●	\$ ●	\$ ●
Almira Cuizon <i>Vice President, Retail Operations</i>	Termination without cause	\$ ●	\$ ●	\$ ●

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out information on the outstanding option-based awards held by each of our NEOs (as adjusted to reflect the Pre-Closing Capital Changes). None of our NEOs hold any share-based awards.

Name	Number of securities underlying unexercised options (#)	Option-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾
Jim Gabel <i>President & Chief Executive Officer</i>	●	\$ ●	●	\$ ●
Jim Rudyk <i>Chief Financial Officer</i>	●	\$ ●	●	\$ ●
Priscilla Shum <i>Chief Merchandising Officer</i>	●	\$ ●	●	\$ ●
James Connell <i>Vice President, e-Commerce & Marketing</i>	●	\$ ●	●	\$ ●
Almira Cuizon <i>Vice President, Retail Operations</i>	●	\$ ●	●	\$ ●

Note:

- (1) The value of unexercised in-the-money options is calculated based on the assumed Offering Price of \$ ● per Share, the midpoint of the estimated price range set forth on the cover page of this prospectus.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out, for each of our NEOs, the value of the option-based awards expected to vest in accordance with their terms during Fiscal 2017 (as adjusted to reflect the Pre-Closing Capital Changes and assuming the continued employment of each NEO). None of our NEOs hold any share-based awards.

Name and Principal Position	Option-Based Awards – Value Expected to be Vested During the Year ⁽¹⁾
Jim Gabel <i>President & Chief Executive Officer</i>	\$ ●
Jim Rudyk <i>Chief Financial Officer</i>	\$ ●
Priscilla Shum <i>Chief Merchandising Officer</i>	\$ ●
James Connell <i>Vice President, e-Commerce & Marketing</i>	\$ ●
Almira Cuizon <i>Vice President, Retail Operations</i>	\$ ●

Note:

- (1) The value of options expected to vest during the year is calculated based on the assumed Offering Price of \$ ● per Share, the midpoint of the estimated price range set forth on the cover page of this prospectus.

DIRECTOR COMPENSATION

General

The following discussion describes the significant elements of the expected compensation program for members of the Board and its committees. The compensation of our directors is designed to attract and retain committed and qualified directors and to align their compensation with the long-term interests of our Shareholders. Directors who are Roots employees or are director nominees of Searchlight who is a partner, principal, member of, or employee of Searchlight (each, an “**Excluded Director**”) will not be entitled to receive any compensation for his or her service as a director of our Board.

Director Compensation

Our director compensation program is designed to attract and retain the most qualified individuals to serve on our Board. Our Board, on the recommendation of our Governance, Compensation and Nominating Committee, will be responsible for reviewing and approving any changes to the directors’ compensation arrangements. In consideration for serving on our Board, each director (other than Excluded Directors) will be paid an annual retainer. All directors will be reimbursed for their reasonable out-of-pocket expenses incurred while serving as directors. See also “Executive Compensation – Components of Compensation”.

The chart below outlines our proposed director compensation program for our directors (other than Excluded Directors).

<u>Type of Fee</u>	<u>Amount</u>
Board Retainer Chair	\$ Nil
Board Member	\$100,000
Lead Director	\$ 15,000
Committee Retainer Audit Committee Chair	\$ 15,000
Governance, Compensation and Nominating Committee Chair	\$ Nil
Audit Committee Membership	\$ 5,000
Governance, Compensation and Nominating Committee Membership	\$ 4,000
Meeting Fees Board / Committee Meeting	\$ Nil

Long-Term Incentive Plan

Director Deferred Share Unit Plan

Upon completion of the Offering, we will establish the Director Deferred Share Unit Plan (the “**DSU Plan**”). The DSU Plan will allow our directors, other than Excluded Directors who will not be receiving director compensation, to elect to take all or a portion of their annual Board retainer in the form of deferred share units (“**DSUs**”). Each such director wishing to make such an election will be required to elect to receive all or a portion of his or her annual Board retainer in DSUs no later than the end of the calendar year preceding the year in which such election is to apply. Participation by the eligible directors in the DSU Plan is entirely voluntary.

A DSU is a unit, equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. When dividends (other than share dividends) are paid on Shares, additional DSUs will automatically be granted to each director who holds DSUs on the record date for such dividends. Following the end of an eligible director’s tenure as a member of the Board, the director will receive a payment in cash at the fair market value of the Shares represented by his or her DSUs on the director’s elected redemption date. Each director’s elected redemption date will not be earlier than the date the director’s tenure as a member of the Board ceases and will not be later than December 15th of the year following the year in which the director’s tenure as a member of the Board ceases.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out information on the outstanding share-based awards, including RSUs, held by each of the individuals who will be non-employee directors as of Closing (as adjusted to reflect the Pre-Closing Capital Changes).

Name	Share-based Awards		
	Number of shares or units that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
Erol Uzumeri ⁽¹⁾	—	\$ —	\$ —
Eric Zinterhofer ⁽¹⁾	—	\$ —	\$ —
Joel Teitelbaum ⁽²⁾	●	\$ ●	\$ ●
Dale H. Lastman ⁽³⁾	—	\$ —	\$ —
Gregory David ⁽³⁾	—	\$ —	\$ —
Richard P. Mavrinac ⁽³⁾	—	\$ —	\$ —

Notes:

- (1) Messrs. Uzumeri and Zinterhofer are Excluded Directors and do not receive any share-based compensation.
- (2) Mr. Teitelbaum received a grant of RSUs under the Legacy Equity Incentive Plan with a grant date fair value of \$100,000 in connection with his appointment to the Board.
- (3) Messrs. Lastman, David and Mavrinac will be appointed to the Board effective upon Closing and currently do not hold any share-based awards.

Director Share Ownership Guidelines

We will establish director share ownership guidelines for directors (other than Excluded Directors) to further align the interests of such directors with those of our Shareholders. The ownership guidelines will establish minimum equity ownership levels for each of our directors, other than Excluded Directors, based on a multiple of their annual Board retainer. Such directors will be expected to meet the prescribed ownership levels within five years of the later of (i) Closing and (ii) the date of their appointment to the Board. Shares and the value of DSUs and other equity-based awards (including RSUs granted before Closing) will be included in determining an individual's equity ownership value. The expected ownership guideline for these directors is 3.0x their annual Board retainer.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Other than as described below, none of our directors, executive officers, employees, former directors, former executive officers or former employees or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us or any of our subsidiaries.

Aggregate Indebtedness

Purpose	To us or our Subsidiaries	To Another Entity
Share purchases	\$520,000 ⁽¹⁾	\$—
Other	\$ —	\$

Note:

- (1) Represents a loan from the Company to Jim Rudyk in connection with the purchase by Mr. Rudyk of 1,000,000 Class A Shares from certain of the Searchlight Selling Shareholders at a price of \$1 per share. The purchase for the shares was paid using \$500,000 in cash and a \$500,000 loan from the Company. The loan is to be repaid at the earlier of six years from the date of the loan and upon a liquidity sale of the Company. Interest accrues at a rate of 4% per annum and is payable at the start of each calendar year following the date of the loan.

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During Fiscal 2016	Amount Outstanding as at September 13, 2017	Financially Assisted Securities Purchases During Fiscal 2016	Security for Indebtedness	Amount Forgiven During Fiscal 2016
Securities Purchase Programs						
Jim Rudyk ⁽¹⁾ <i>Chief Financial Officer</i>	Roots is the lender	\$520,000	\$520,000	500,000 Class A Shares	\$—	\$—

Note:

- (1) Represents a loan from the Company to Jim Rudyk in connection with the purchase by Mr. Rudyk of 1,000,000 Class A Shares from certain of the Searchlight Selling Shareholders at a price of \$1 per share. The purchase for the shares was paid using \$500,000 in cash and a \$500,000 loan from the Company. The loan is to be repaid at the earlier of six years from the date of the loan and upon a liquidity sale of the Company. Interest accrues at a rate of 4% per annum and is payable at the start of each calendar year following the date of the loan.

PLAN OF DISTRIBUTION

General

Pursuant to an underwriting agreement dated ●, 2017 among us, the Selling Shareholders and the Underwriters (the “**Underwriting Agreement**”), the Selling Shareholders have agreed to sell and the Underwriters have severally agreed to purchase on Closing an aggregate of ● Shares at a price of \$ ● per Share, payable in cash to the Selling Shareholders against delivery of the Shares for aggregate gross proceeds of \$ ●. The Selling Shareholders have agreed to pay the Underwriters a fee equal to \$ ● per Share (being ● % of the Offering Price), including any Shares purchased on exercise of the Over-Allotment Option, if any. It is estimated that the total expenses of the Offering, not including the Underwriters’ fee, will be approximately \$ ●, which will be paid by the Company.

Prior to the Offering, there was no public market for the Shares. The Offering Price of \$ ● per Share was determined by negotiation among the Selling Shareholders and the Underwriters and the Underwriters propose to offer the Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Shares at the price specified on the cover page of this prospectus, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Shares is less than the price paid by the Underwriters to the Selling Shareholders. Any such reduction will not affect the net proceeds received by the Selling Shareholders. The Underwriters may form a selling group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters out of their fees.

The Selling Shareholders have granted to the Underwriters the Over-Allotment Option, which is exercisable, in whole or in part, at any one time for a period of 30 days after Closing to purchase from the Selling Shareholders, on a pro rata basis, up to an additional ● Shares (representing 15% of the aggregate number of Shares sold in the base Offering) on the same terms as set forth above for the purpose of covering the Underwriters’ over-allocation position, if any, and for market stabilization purposes. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Shares to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Shares forming part of the Underwriters’ over-allocation position acquires such Shares under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Underwriting Agreement, the Underwriters may, at their discretion, terminate the Underwriting Agreement upon the occurrence of certain events, including “material change out”, “disaster

out”, “proceedings to restrict distribution out”, “market out” and “non-compliance with conditions out” clauses. The Underwriters are, however, severally obligated to take up and pay for all of the Shares that they have agreed to purchase if any of the Shares are purchased under the Underwriting Agreement.

Under applicable securities laws in Canada, certain persons and individuals, including us, the Selling Shareholders and the Underwriters, have statutory liability for any misrepresentation in this prospectus, subject to available defences. The Underwriters are entitled under the Underwriting Agreement to indemnification by the Company and the Selling Shareholders, on a several basis, against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments that they may be required to make in respect thereof. The Company and the Selling Shareholders have agreed to indemnify one another against liabilities with respect to certain information related solely to the respective party and furnished to the others for use in this prospectus.

We have applied for listing of the Shares on the TSX under the symbol “ROOT”. Listing is subject to approval by the TSX of our listing application and the fulfillment by us of all of the initial listing requirements and conditions of the TSX. The TSX has not conditionally approved the listing of the Shares on the TSX and there is no assurance that the TSX will approve our listing application.

There is currently no market through which the Shares may be sold. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares and the extent of issuer regulation. See “Risk Factors”. Subscriptions for Shares will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing is expected to occur on ● , 2017 or such other date as we, the Selling Shareholders and the Underwriters may agree, but in any event not later than ● , 2017. Closing is conditional upon the Shares being approved for listing on the TSX.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell Shares within the United States, except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States and applicable state laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the Shares that they have acquired pursuant to the Underwriting Agreement through their U.S. broker dealers in the United States to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act and exemptions from registration under applicable state securities laws. The Underwriting Agreement also provides that the Underwriters may offer and sell the Shares outside the United States in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

TD, Credit Suisse and BMO Capital Markets are acting as the active bookrunners in the Offering and Jeffries Securities, Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. are acting as passive bookrunners in the Offering.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Offering is in progress. These transactions may also include over-allocating or making short sales of the Shares, which involves the sale by the Underwriters of a

greater number of Shares than they are required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Shares available for purchase in the open market compared with the price at which they may purchase Shares from the Selling Shareholders through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Shares in the open market. Any naked short sales will form part of the Underwriters’ over-allocation position. A purchaser who acquires Shares forming part of the Underwriters’ over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Shares under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces (“**UMIR**”), the Underwriters may not, at any time during the period of distribution, bid for or purchase Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including UMIR, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Shares are listed, in the over-the-counter market, or otherwise.

Non-Certificated Inventory System

No certificates representing the Shares to be sold in the Offering will be issued to purchasers under this prospectus. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Shares will receive only a customer confirmation of purchase from the participants in the CDS depository service (“**CDS Participants**”) from or through which such Shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Shares in Canada will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

Lock-Up Arrangements

Pursuant to the Underwriting Agreement, each of us and our executive officers and directors, and the Selling Shareholders have agreed that he, she or it will not, directly or indirectly, without the prior written consent (not to be unreasonably withheld) of the Joint Active Bookrunners, on behalf of the Underwriters, issue, offer, or sell or grant any option, warrant or other right to purchase or agree to issue, sell or otherwise lend, transfer, assign or dispose of any of our Shares, or other securities convertible or exchangeable into or otherwise exercisable into our Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing, in each case, for a period commencing on the date hereof and ending 180 days after the Closing Date, subject to certain limited exceptions, including the

sale of our securities pursuant to the exercise of the Over-Allotment Option, or the issuance of our securities pursuant to or in connection with our equity incentive compensation plans. Holders of all of our issued and outstanding Shares and approximately 83.5% of our outstanding options immediately prior to Closing will be subject to these lock-up arrangements. The remaining 16.5% of our outstanding options will not commence vesting until one year following the Closing Date.

Relationship Between Us, the Selling Shareholders and Certain of the Underwriters

TD and Scotia Capital Inc. are affiliates of Canadian chartered banks that are lenders to Roots under the Credit Facilities. Consequently, we, and the Selling Shareholders, as significant security holders of the Company, may be considered a “connected issuer” of each of TD and Scotia Capital Inc. under applicable Canadian securities legislation. As of the date of this prospectus, we are in compliance with the terms of our indebtedness, certain of which indebtedness is secured against certain of our assets. Since the indebtedness to the lenders was initially incurred, our financial position and the value of the collateral granted as security for the indebtedness have not materially changed in an adverse manner. As of the close of business on September 11, 2017, we were indebted to the lenders in an aggregate amount of approximately \$121 million. The terms of the Offering, including the Offering Price, were determined by negotiation between the Joint Active Bookrunners, on their own behalf and on behalf of each of the other Underwriters, and the Selling Shareholders. TD and Scotia Capital Inc. have each advised that the decision to underwrite the Offering was made independently of the Canadian chartered banks which are lenders to the Company, and such lenders had no influence as to the determination of the terms of the distribution. None of TD or Scotia Capital Inc. will receive any benefit in connection with the Offering other than its proportionate share of the Underwriters’ fee from the Selling Shareholders. See “Description of Material Indebtedness”.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, our counsel, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is a general summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder generally applicable to a purchaser who acquires, as beneficial owner, Shares pursuant to this Offering and who at all relevant times, for purposes of the Tax Act, (a) is resident or deemed to be resident in Canada, (b) holds the Shares as capital property, and (c) deals at arm’s length with us and the Underwriters and is not affiliated with us or the Underwriters (a “**Holder**”). Generally, the Shares will be considered to be capital property to a Holder unless they are held or acquired in the course of carrying on a business of trading in or dealing in securities or as part of an adventure or concern in the nature of trade. Certain Holders whose Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Holders whose Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

This summary is not applicable to a purchaser: (a) that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules, (b) an interest in which would be a “tax shelter investment” as defined in the Tax Act, (c) that is a “specified financial institution” as defined in the Tax Act, or (d) which has made an election under the Tax Act to determine its “Canadian tax results” (as defined in the Tax Act) in a foreign currency. This summary does not apply to a purchaser who enters into a “derivative forward agreement” (as defined in the Tax Act) with respect to such purchaser’s Shares. This summary does not address the possible application of the “foreign affiliate dumping” rules that may be applicable to a Holder that is a corporation that is or that becomes, or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or that becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Shares, controlled by a non-resident corporation for purposes of the rules in section 212.3 of the Tax Act. Any such holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences of the Offering.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") prior to the date hereof and the current published administrative practices and assessing policies of the Canada Revenue Agency made publicly available prior to the date hereof. No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations concerning the income tax consequences to any particular Holder or prospective Holder are made. Accordingly, prospective Holders should consult their own tax advisors with respect to an investment in the Shares having regard to their particular circumstances. Purchasers of Shares who are non-residents, or deemed to be non-residents, of Canada for purposes of the Tax Act should consult their own tax advisors regarding their particular circumstances.

Taxation of Holders

Dividends on Shares

In the case of a Holder who is an individual (excluding certain trusts), dividends received or deemed to be received on the Shares will be included in computing the Holder's income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by us, such dividend will be treated as an "eligible dividend" for the purposes of the Tax Act and a Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. There may be limitations on our ability to designate dividends and deemed dividends as eligible dividends.

Dividends received or deemed to be received on the Shares by a Holder that is a corporation will be required to be included in computing the corporation's income for the taxation year in which such dividends are received, but such dividends will generally be deductible in computing the corporation's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Holder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on the Shares to the extent that such dividends are deductible in computing the Holder's taxable income for the taxation year.

Dividends received by a Holder who is an individual (excluding certain trusts) may result in such Holder being liable for minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

Dispositions of Shares

Upon a disposition or deemed disposition of Shares, a capital gain (or loss) will generally be realized by a Holder to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Shares to the Holder immediately before the disposition or deemed disposition and any reasonable costs of disposition. The adjusted cost base of a Share to a Holder will be determined by averaging the cost of such Share with the adjusted cost base of all other Shares held by the Holder and by making certain other adjustments required under the Tax Act. The Holder's cost for purposes of the Tax Act of Shares will include all amounts paid or payable by the Holder for the Shares, subject to certain adjustments under the Tax Act.

Taxation of Capital Gains and Capital Losses

Generally, one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by a Holder in a taxation year must be included in the Holder’s income in the year. Subject to and in accordance with the provisions of the Tax Act, one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must be deducted by such Holder against taxable capital gains realized by such Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or in any subsequent year (against taxable capital gains realized in such years) to the extent and under the circumstances described in the Tax Act. If the Holder is a corporation, the amount of any such capital loss realized on the sale of Shares may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received on such Shares. Analogous rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Taxable capital gains realized by a Holder who is an individual may give rise to alternative minimum tax depending on the Holder’s circumstances. A Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) throughout its taxation year may be liable to pay a refundable tax on certain investment income, including an amount in respect of a taxable capital gain arising from the disposition of a Share.

Eligibility for Investment

Provided that on the Closing Date the Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSX), the Shares acquired pursuant to the Offering on the Closing Date will be, at that time, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), deferred profit sharing plan, registered retirement income fund (“**RRIF**”), registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), or a tax-free savings account (“**TFSA**”).

Notwithstanding that Shares may be qualified investments for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA, the holder of such RDSP or TFSA, the subscriber of such RESP or the annuitant under such RRSP or RRIF, as the case may be, may be subject to a penalty tax in respect of the Shares if such Shares are a “prohibited investment” and not “excluded property” for the RRSP, RRIF, RESP, RDSP or TFSA. Shares will generally be a “prohibited investment” if the holder of a RDSP or TFSA, the subscriber of a RESP or the annuitant under a RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with us for purposes of the Tax Act or (ii) has a “significant interest” (within the meaning of subsection 207.01(4) of the Tax Act) in us.

Individuals who hold or intend to hold Shares in a RRSP, RRIF, RESP, RDSP or TFSA should consult their own tax advisors as to whether such securities will be a “prohibited investment” in their particular circumstances, including with respect to whether the Shares would be “excluded property” in their particular circumstances.

RISK FACTORS

In addition to all other information set out in this prospectus, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in us and the Shares. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may become important factors that affect our future financial condition or results of operations. The occurrence of any of the risks discussed below could materially adversely affect our business, prospects, financial condition, results of operations or cash flow. The Shares are only suitable for investors (i) who understand the potential risk of capital loss, (ii) for whom an investment in the Shares is part of a diversified investment program and (iii) who fully understand and are willing to assume the risks involved in such an investment program. Prospective purchasers of Shares should carefully consider the following risks before investing in us and the Shares.

Risks Related to Our Business

General economic conditions in regions in which we operate, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including apparel, leather goods, accessories, footwear and related products, such as ours.

Consumer purchases of discretionary retail items and specialty retail products, which include our apparel, leather goods, accessories and footwear, may be adversely affected by economic conditions such as employment levels, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. These risks may be exacerbated for retailers like us that focus significantly on selling discretionary merchandise. We may not be able to maintain our recent rate of growth in sales or future growth targets if there is a decline in consumer spending. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions, including the current uncertainty and volatility in the global economy. Further or future slowdowns or disruptions in the regions in which our products are sold could adversely affect mall and shopping destination traffic and new mall and retail development and could materially and adversely affect us and our growth plans. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by our business, including those risks we encounter as we attempt to execute on our growth plans.

Our business depends on a strong brand image and, if we are not able to protect our brand, our business will be negatively impacted.

We believe that our brand image and brand awareness have contributed significantly to the success of our business and that maintaining and enhancing our brand image and increasing brand awareness in new markets where we have limited or no brand recognition is important to expanding our customer base. Maintaining and enhancing our brand image and increasing brand awareness may require us to make investments in areas such as marketing, merchandising, store development, employee training and public relations, as well as other costs associated with opening new stores, engaging new international operating partners and expanding our e-commerce business. These investments may be substantial and may not ultimately be successful.

Our brand image and reputation may be impacted by actions taken by our employees, characteristics of our merchandise, marketing activities and negative commentary or reviews. Widespread use and access to social media campaigns and viral messaging or imagery could significantly broaden the scope and impact of any such events or circumstances. Because consumers value readily available information about retailers and their products, they may act on information conveyed through social media without further investigation and without regard to its accuracy. The harm to our brand may be immediate without affording us an opportunity for redress or correction, and there can be no assurance that we will respond in an appropriate or timely manner, which could materially adversely affect our business, financial condition and results of operations.

The success of our business depends on our ability to evolve our product offerings by anticipating and responding in a timely manner to constantly changing consumer demands, tastes and fashion trends across multiple product lines, sales channels and geographies. If we are unable to anticipate and respond to these changes, it could have a material adverse effect on our business, financial condition and results of operations.

Our target customers are subject to rapidly shifting fashion and seasonal trends, customer tastes and demands. Accordingly, our success depends on our ability to anticipate and forecast changes in fashion trends and consumer preferences and continuously manage and develop our product offering to respond to these consumer trends.

We design new merchandise, select and purchase raw materials, develop new retail concepts and continuously adjust the position of our brands and merchandise categories in an effort to meet our

customers' demands. This includes our recently implemented consumer-focused merchandising model with UBR and the associated significant reduction in SKUs. We also manage our inventory through initial pricing and markdowns and by allocating, replenishing and transferring products across our network of stores and sales channels to optimize merchandise offerings.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our suppliers and manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast consumer demand for our products may be affected by many factors, including, among others: (i) an increase or decrease in consumer demand for our products or for products of our competitors; (ii) consumer acceptance of seasonal products; (iii) product introductions by competitors; (iv) competitor pricing and discounting strategies; and (v) unanticipated changes in general market conditions.

There can be no assurance that we will be able to continue to successfully carry out our demand-driven merchandise planning, buying and inventory strategies and stock our stores with the appropriate assortment of merchandise. To the extent our predictions differ from our customers' actual preferences, we may experience excess raw materials or inventory or a shortage of products available for sale in our stores or for delivery to consumers through our e-commerce channels, resulting in missed opportunities. Inventory levels in excess of consumer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which could negatively impact our gross profit margin. Although we have historically exercised a disciplined markdown strategy, excess inventories could compromise our ability to continue to do so and result in lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Low inventory levels can adversely affect our ability to meet customer demand, which may lead to lost sales and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on our business, financial condition and results of operations.

We operate in several highly competitive related industries and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could adversely impact our growth and market share.

We face strong competition in the apparel, leather goods, accessories and footwear industries. We compete on the basis of a combination of factors, including the location of stores, the breadth, style, quality, price and availability of merchandise; the level of customer service; and brand recognition. We compete with a diverse group of specialty apparel and footwear retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel and accessories. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have an adverse effect on our business.

Many of our competitors are, and many of our potential competitors may be, larger and have access to greater financial, marketing and other resources. Therefore, these competitors may be able to devote greater resources to the marketing and sale of their products or adopt more aggressive pricing policies than we can. As a result, we may lose market share, which could reduce our sales and adversely affect our results of operations.

Our competitors may seek to emulate facets of our business strategy, in-store experience or merchandise offerings, which could result in a reduction of any competitive advantage that we might possess. As a result, our current and future competitors, especially those with greater financial, marketing or other resources, may be able to duplicate or improve upon some or all of the elements of our in-store experience or merchandise offerings that we believe are important in differentiating our customers' shopping experience. If our competitors were to duplicate or improve upon some or all of the elements of our in-store experience or product offerings, our competitive position and our business could suffer. There can be no assurances that we will continue to be able to compete successfully against existing or future competitors.

Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies may impact our financial condition and results of operations and may affect the comparability of our results between financial periods.

We are exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the U.S. dollar. Exchange rate fluctuations could have an adverse effect on our operating and financial results.

The majority of our sales are derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars, which has caused an increase in our cost of goods sold since the beginning of 2016 due to the weakening of the Canadian dollar against the U.S. dollar. We also generated sales of approximately U.S.\$29 million in Fiscal 2016 from our existing United States stores, royalty and wholesale revenue from our partner in Asia and through e-commerce sales. In the future, we expect to continue to derive a significant portion of our sales in Canadian dollars and incur a significant portion of our cost of goods sold in U.S. dollars, and changes in exchange rates between the Canadian dollar and the U.S. dollar may have a significant, and potentially adverse, effect on our results of operations.

We use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurance that this strategy will prove to be successful. Currency hedging entails a risk of illiquidity through difficulties in exiting hedged positions and, to the extent the applicable foreign currency depreciates or appreciates (depending on the direction of the hedge) against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. Also, hedging arrangements may have the effect of limiting or reducing the total returns to us if management's expectations concerning future events or market conditions prove to be incorrect, in which case the costs associated with the hedging strategies may outweigh their benefits.

Our financial statements are presented in accordance with IFRS, and we report, and will continue to report, our results in Canadian dollars. Any change in the value of the U.S. dollar against the Canadian dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of U.S. dollar denominated sales and costs. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses and may not be comparable from period to period.

We are subject to risks associated with leasing retail space, and are subject to a number of long-term non-cancelable leases with substantial lease payments. Any failure to make these lease payments when due, or the inability to extend, renew or continue to lease space in key locations, would likely harm our business, profitability and results of operations.

We do not own any real estate. Instead, we lease all of our retail store locations (other than stores operated by our partner in Taiwan and China), as well as our head office, leather factory and distribution facility. In accordance with our growth strategy, we also intend to use our leasing model with respect to our expansion into the United States. Accordingly, we are subject to all of the risks associated with leasing, occupying and making tenant improvements to real property, including adverse demographic and competitive changes affecting the location of the property, changes in availability of and contractual terms for leasable retail space, credit risk in relation to tenant improvement allowances from landlords and potential liability for environmental conditions or personal injury claims.

The success of any store depends substantially upon its location. There can be no assurance that our current store locations will continue to be desirable in the future, or that we will be able to secure new desirable locations in the future on favourable terms or at all. Store locations, customer conversion and sales may be adversely affected by, among other things, social and economic conditions in a particular area, competition from nearby retailers selling similar merchandise, changes in co-tenants that negatively impact the desirability of our store locations, changing lifestyle choices of consumers in a particular market and the closing or decline in popularity of other businesses located near our store locations. Changes in areas around our store locations that result in reductions in customer foot traffic or otherwise render the locations unsuitable could cause our sales to be less than expected. If we cannot obtain desirable locations at reasonable costs, our cost structure will increase and our sales will be adversely affected. See also “– Bankruptcies by other retailers and licensees may negatively impact us”.

Our existing stores are leased from third parties, with typical lease commitments of ten years. Some of our lease agreements also have additional renewal options. However, there can be no assurances that we will be able to extend, renew or continue to lease our existing store locations, or identify and secure alternative suitable locations. In addition to fixed minimum lease payments, most of our store leases provide for additional rental payments based on a percentage of sales, or “percentage rent,” if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance, real estate taxes and other charges. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Increases in our occupancy costs and difficulty in identifying economically suitable new store locations could have significant negative consequences, which include:

- requiring that a greater portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes and reducing our profitability;
- increasing our vulnerability to general adverse economic and industry conditions; and
- limiting our flexibility in planning for, or reacting to changes in, our business or in the industries in which we compete.

We depend on cash flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these expenses and sufficient funds are not otherwise available to us, we may not be able to service our lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could harm our business. Additional sites that we lease may be subject to long-term non-cancelable leases if we are unable to negotiate shorter terms. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, if we are not able to enter into new leases or renew existing leases on terms acceptable to us, this could have an adverse effect on our results of operations and profitability.

Our operations at our leather factory and distribution facility could involve, from time to time, the handling of potentially hazardous or toxic substances. Pursuant to the terms of our leases in respect of these properties, we are generally not responsible for environmental liabilities that existed on these properties prior to the closing of the Acquisition. However, if a leak, spill or other environmental incident were to occur on one or more of these properties, or if our operations were to exacerbate any environmental or occupational health and safety matters that had existed prior to the closing of the Acquisition, we could be potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons or property. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to remediate properly such substances, could have an adverse effect on our business, financial condition and results of operations.

Our growth strategies depend in part upon our ability to successfully open and operate new stores in Canada and the United States in a timely and cost-effective manner and new stores may take longer to mature than anticipated.

Part of our growth strategy depends on continuing to successfully open and operate new stores within Canada and in the United States (including our target of opening 8 to 10 new stores in Canada and 10 to 14 new stores in the United States by Fiscal 2019). This will require substantial capital investment, particularly in regions within the United States where we currently do not have stores and/or limited brand awareness. Our ability to successfully open and operate new stores depends on a number of factors that may be outside of our control, including, among others, our ability to:

- increase brand awareness in the United States;
- identify desirable store locations, primarily in malls, prime shopping destinations and street locations, which may be difficult and costly;
- negotiate acceptable lease terms, including favourable levels of tenant improvement allowances;

- maintain out-of-pocket build-out costs in line with our store economic model, including by managing construction costs at reasonable levels;
- hire, train and retain a growing workforce of store managers, sales associates and other personnel, including key management personnel;
- successfully integrate new stores into our existing control structure and operations, including our information technology systems;
- efficiently expand the operations of our distribution facilities to meet the needs of a growing store network;
- identify and satisfy the merchandise and other preferences of our customers in new geographic areas and markets; and
- address competitive, merchandising, marketing, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

To the extent that we open stores in markets where we already have existing stores, we may experience reduced sales at those existing stores.

There is no guarantee that newly opened stores will be received as well as, or achieve sales or profitability levels comparable to those of, our existing stores within our estimated time periods, or at all. If our stores fail to achieve, or are unable to sustain, acceptable sales and profitability levels, our business may be materially adversely affected and we may incur significant costs associated with closing or relocating stores. In addition, our current expansion plans are only estimates, and the actual number of stores that we open, the timeline on which we do so and the actual number of suitable locations for our new stores could differ significantly from these estimates. If we fail to successfully open and operate new stores and execute our growth plans, the price of our Shares could decline.

A failure to reduce operating expenses and labour costs in a timely manner in response to changes in our business could adversely affect our results of operations.

Our business and results of operations are sensitive to a number of factors, both within and outside our control. In the event of a sustained reduction in sales, for whatever reason, it may be necessary to implement an expense reduction plan. The successful implementation of an expense reduction plan, if and when deemed advisable by management, depends on many factors, including our ability to identify the need for such a plan in a timely manner, to effectively implement such a plan, as well as certain factors which are beyond our control, including economic conditions, labour market conditions and ability to maintain our management team to implement our plan, and any one of these factors or other unforeseen factors could have a material adverse effect on our ability to implement any targeted cost savings to stabilize our results of operations.

Our sales and profitability may decline as a result of increasing product costs and decreasing selling prices.

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, commodity prices, inflation, pressure from consumers to reduce the prices we charge for our products and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs or increases in prices and could have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, fluctuations in the cost, availability and quality of the fabrics or other raw materials, particularly cotton, wool, silk, leather and synthetics used in our manufactured apparel, leather goods, accessories and footwear, could have a material adverse effect on cost of goods sold or our ability to meet

customer demands. The prices of fabrics depend largely on the market prices of the raw materials used to produce them. The price and availability of the raw materials and, in turn, the fabrics used in our apparel, leather goods, accessories and footwear, may fluctuate significantly depending on many factors, including inflationary pressures, weather patterns, crop yields, labour costs, foreign currency exchange rates and changes in oil prices. Further, freight cost is impacted by changes in fuel prices. Fuel prices affect freight cost both on inbound freight from manufacturers to the distribution facilities and outbound freight from the distribution facilities to our stores, international operating partners and e-commerce customers. Increased fabric, material and transport costs increase our cost of goods sold and could impair our ability to meet production or purchasing requirements in a timely manner. An inability to mitigate these cost increases could lead us to attempt to pass on such cost increases to our customers through retail price increases on our merchandise, which could adversely affect our volume of sales. It could also lead to a change in our merchandise mix or inventory levels, which could result in a decrease in our profitability.

Our ability to obtain merchandise from our suppliers on a timely basis at competitive costs could suffer as a result of any deterioration or change in our supplier and manufacturer relationships or events that adversely affect our suppliers or manufacturers or cause disruptions in their businesses.

We, our suppliers and our manufacturers are affected by, among other things, increases in labour and fuel costs, labour disputes and disruptions, regulatory changes, political or economic instability or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, natural disasters, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade. These factors are beyond our control, may adversely affect us and our suppliers or manufacturers or cause disruptions to their and our businesses and may impact our ability to source raw materials and finished merchandise and manufacture and deliver our merchandise on acceptable terms and within acceptable timelines, which could have a material adverse effect on our profitability and results of operations.

Most of our apparel products are currently manufactured outside of North America. Many countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

We have a number of important supplier and manufacturer relationships that we believe provide us with a competitive advantage. We do not own any manufacturing facilities and, with the exception of our leather factory which we lease from entities controlled by the Founders and certain of their family members and which we operate ourselves, we do not operate any manufacturing facilities. Instead, we source fabrics, other materials and selected finished merchandise from third party suppliers and work with third party manufacturers to produce the majority of our merchandise. In Fiscal 2016, our top ten suppliers (outside of our own leather factory) accounted for approximately 59% of our total inventory purchases, with no single supplier accounting for more than 30% of our product costs. We do not have long-term contracts with our suppliers and manufacturers and we generally operate without any contractual assurances of continued supply. Any of our suppliers or manufacturers could discontinue their relationship with us, or cease to provide materials, merchandise or services on a satisfactory basis for a variety of reasons.

The benefits we currently experience from our vendor relationships may be adversely affected if our suppliers or manufacturers:

- choose to cease their relationship with us;
- raise the prices they charge us;
- change pricing terms to require us to pay earlier or upfront, including as a result of changes in the credit relationships that some of our suppliers or manufacturers have with their various lending institutions;

- sell merchandise to our competitors with similar or better pricing, many of whom already purchase merchandise in significantly greater volume and, in some cases, at lower prices than we do; or
- lengthen their lead times.

There can be no assurance that we will be able to obtain desired merchandise from our suppliers in sufficient quantities on acceptable terms or at all in the future, especially if we need significantly greater amounts of inventory in connection with the growth of our business. We may need to develop relationships with new suppliers and manufacturers as our current suppliers and manufacturers may be unable to supply us with and produce needed quantities and we may not be able to obtain the same terms from new suppliers and manufacturers. If we are unable to obtain suitable merchandise in sufficient quantities, at acceptable prices with adequate delivery times due to the loss of or a deterioration or change in our relationship with one or more of our key suppliers or manufacturers or events harmful to our suppliers or manufacturers occur, it may adversely affect our business and results of operations.

Our brand image and reputation may be negatively impacted by actions taken by our suppliers and manufacturers or activists and protestors.

The actions and business practices of our suppliers and manufacturers may negatively impact our brand. We source materials for our merchandise and our independent suppliers and manufacturers operate predominantly in China and Canada. Although our suppliers and manufacturers are subject to our supplier code of conduct and manufacturing standards, we annually perform, through third parties, factory and social compliance audits for compliance with local laws and global standards, and our sourcing management team conducts site visits to our key suppliers on at least an annual basis, we do not otherwise supervise or control our suppliers or manufacturers. Monitoring compliance by independent manufacturers is complicated by the fact that expectations of ethical business practices continually evolve, may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all parties who are active in monitoring and publicizing perceived shortcomings in labour and other business practices worldwide. Any failure by us, or by our suppliers or manufacturers, to maintain customer service levels, merchandise quality and integrity, labour practices generally accepted in North America or ethical and socially responsible operations could adversely affect our brand image and reputation, which could materially adversely affect our business, financial condition and results of operations.

Additionally, if we do not meet the transparency standards expected by parties active in promoting ethical business practices, we may attract negative publicity, regardless of whether the actual labour and other business practices adhered to by us and our suppliers and manufacturers satisfy substantive expectations of ethical business practices. Any negative publicity about, or significant damage to, our brand or reputation could negatively impact sales, reduce employee morale and productivity and diminish customer trust, any of which could harm our business, financial condition and results of operations.

We have also occasionally received, and may in the future continue to receive, shipments of merchandise that fail to comply with our specifications or that fail to conform to our quality control standards. We have also received, and may in the future continue to receive, merchandise that either meets our specifications but that is nonetheless unacceptable to us, or products that are unacceptable to certain of our customers or to other members of the public. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of sales resulting from the inability to sell such merchandise and related increased administrative and shipping costs. Additionally, if the unacceptability of our merchandise is not discovered until after it is purchased or viewed by our customers or members of the public, our customers or members of the public could form unfavourable opinions of our merchandise, we could face a merchandise recall, our results of operations could suffer and our reputation and brand may be harmed.

Finally, we may be the target of activists in the future. Our products include certain animal products, including leather, which may draw the attention of animal welfare activists. In addition, protestors can disrupt

sales at our stores, or use social media or other campaigns to sway public opinion against our products. If any such activists are successful at either of these tactics, our sales and results of operations may be adversely affected.

Our new stores, once opened, may not be profitable initially, and may adversely impact our business.

Our new stores, once opened, may experience an initial ramp-up period during which they generate sales and income below the levels we would otherwise expect. This is in part due to the time it takes to build a loyal customer base in a new market, higher fixed costs relating to increased labour needs, other start-up inefficiencies that are typical of new stores and cash build-out costs of new stores that may be higher than our target cash build-out costs, development costs, additional store features, and budgets. It may also be difficult for us to attract a customer base, or otherwise overcome the higher costs associated with new store locations. New stores may not have results similar to existing stores or may not be profitable. If new stores remain unprofitable for a prolonged period of time, we may decide to close these stores, which could have a negative impact on our business and results of operations.

A portion of our sales are and will be dependent on sales to, royalties from, and licensing with, our existing and future international operating partners.

Our Partners and Other operating segment is profitable because the operating expenses directly associated with administering and monitoring an individual licensing or similar agreement with international operating partners are low. Therefore, the loss of our current international operating partner or new partners, whether due to the termination or expiration of the relationship, the cessation of a partners' operations or otherwise (including as a result of financial difficulties of the partner), without an equivalent replacement, or material changes to the terms of our agreements with partners, could impact our profitability.

While we generally have significant control over our international operating partners' products and advertising, we rely on our partners for, among other things, operational and financial controls over their businesses. Our partners' failure to successfully market our products, material changes to the terms of our agreements with any such partner, or our inability to replace our existing international operating partners could adversely affect our sales from reduced royalty revenue received and from reduced sales of our products. Risks are also associated with our partners' ability to obtain capital, execute their business plans, manage their labour relations, manage their credit risk effectively and maintain relationships with their customers.

In addition, we rely on our partners to preserve the value of our brand. Although we attempt to protect our brand through, among other things, approval rights over packaging, merchandising, distribution, advertising and promotion of our products, we cannot assure you that we can control our partners' use of our brands. The misuse of our brands by a partner could have an adverse effect on our business.

If we fail to identify, recruit and contract with new qualified international operating partners, our ability to open new licensed stores outside of North America and increase our sales may be affected.

Our growth strategy involves utilizing a licensing model with respect to store openings in new markets outside of Canada and the United States, similar to the licensing model currently utilized in respect of the Taiwan and China markets. The opening of additional stores in new markets outside of North America depends, in part, upon the availability of prospective partners who meet our criteria. We may not be able to identify, recruit or contract with suitable partners in our target markets on a timely basis or at all. In addition, our partners may not ultimately be able to access the financial or management resources that they need to open the stores contemplated by their agreements with us, or they may elect to cease store development for other reasons. If we are unable to recruit suitable international operating partners or if such partners are unable or unwilling to open new stores as planned, our growth may be slower than anticipated, or cease, which could adversely affect our ability to increase our sales.

Our expansion into new markets may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.

Our long-term future growth depends, in part, on our expansion efforts outside Canada. As of July 29, 2017, we had 116 stores in Canada, 4 stores in the United States, 109 partner-operated stores in Taiwan and 27 partner-operated stores in China. As a primary component of our growth strategy, we intend to undertake a targeted expansion into the United States and other international markets where we have little or no operating experience or brand awareness. While we have significant experience and brand awareness in Canada, Taiwan, certain regions in the United States and certain regions in China, we have significantly lower brand awareness outside of these regions and our operating experience with respect to our existing stores (and licensed stores) may not be relevant or necessarily translate into similar results broadly in our target markets in the United States and elsewhere. In addition, any new markets that we enter in the future may have different competitive conditions, less familiarity with our brand and/or different consumer tastes and discretionary spending patterns. As a result, new stores in these markets may be less successful than stores in our existing markets. Accordingly, we cannot guarantee that we or our international operating partners will be able to penetrate or successfully operate in any market outside of Canada, Taiwan, certain regions in the United States and certain regions in China. In order to build greater brand awareness in these new markets, we and, outside of North America, our international operating partners, will need to make greater investments in store openings, advertising and promotional activity, with no guarantee of success, which could negatively impact the profitability of our operations in those markets.

We and our international operating partners may also find it more difficult in these new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. In addition, labour costs may be higher in international markets due to regulation or local market conditions, and new stores could have higher construction and occupancy costs. International markets may also have a different regulatory environment and market practices than the regions in which we currently have stores, with which we and our international operating partners may have limited experience. These regulations and market practices could subject us and our international operating partners to significant additional expense or impact our ability to achieve compliance. In connection with any future expansion efforts outside of the regions in which we currently have stores, we would expect to encounter many obstacles that we do not currently face in our current regions, including cultural and linguistic differences, differences in regulatory environments and market practices, difficulties in keeping abreast of market, business and technical developments and local market customers' tastes and preferences. Each of these factors may have an adverse impact on us and our international operating partners' sales or profitability in those markets and could in turn adversely impact our sales and results of operations. If we do not successfully execute our plans to enter new markets, particularly in the broader United States, our business, financial condition and results of operations may be materially adversely affected.

Our expansion into new markets may expose us to certain geopolitical risks and challenges.

Our products were sold through our e-commerce platform to 54 countries worldwide in Fiscal 2016. Some of these countries have greater economic, political and social risks than Canada and the United States. Some of these risks include:

- costs associated with the use of foreign agents and contractors;
- the burden of complying with a wide variety of foreign laws;
- changes in laws and regulations governing our business in the region;
- changes in taxation policies dramatically increasing our tax costs;
- possible social, labour, political and economic instability;
- economic and legal sanctions; and
- non-compliance with applicable anti-corruption and bribery laws.

Any changes in regulations or shifts in political or economic conditions are beyond our control or influence and could cause a disruption in our ability to enter into or to operate in these foreign markets, which could have an adverse effect on our business, financial condition and results of operations.

Our growth strategy involves expansion of our e-commerce platform, which may present risks and challenges that we have not yet experienced and there can be no assurance that we will successfully manage and grow our e-commerce business, as planned.

Growing our e-commerce platform is essential to our growth strategy, as is expanding our product offerings available through this platform. If our e-commerce web-store design does not appeal to our customers, reliably function as designed, maintain the privacy of customer data, or if we are unable to consistently meet our brand promise to our customers, we may experience a loss of customer confidence or lost sales, or be exposed to fraudulent purchases, which could adversely affect our reputation and results of operations.

The usability of, and customer experience provided by, our online shopping platform is critical to the success and growth of our e-commerce business. Many of our competitors already have e-commerce businesses that are substantially larger and more developed than ours. In addition, e-commerce is a rapidly changing channel and many of our competitors update their e-commerce business on an ongoing basis to match consumer preferences. Any extended software disruption of our e-commerce business or a failure on our part to provide an attractive, effective, reliable, user-friendly e-commerce business that offers a wide assortment of merchandise with rapid delivery options to multiple countries and that continually meets the changing expectations of online customers, could place us at a competitive disadvantage, result in the loss of sales or harm our reputation with customers and could have a material adverse effect on our growth strategy, business and results of operations.

Our products were delivered through our e-commerce platform to 54 countries worldwide in Fiscal 2016. The growth of our e-commerce business is dependent on our ability to successfully manage international shipping of our merchandise and successfully manage the costs, difficulties and competitive pressures associated with international shipping. Other risks specific to our e-commerce business include diversion of sales from our stores, difficulty in recreating the in-store experience through direct channels and liability for online content. If we are unable to expand or update our e-commerce business commensurately with our competitors, manage international shipping and successfully respond to the risks inherent to e-commerce, our financial results and the growth of our e-commerce business may be negatively impacted, and the price of our Shares could decline.

The countries to which we currently ship our product, and new countries in which we intend to ship our product through our e-commerce channel, may impose different and evolving laws governing the operating and marketing of e-commerce websites, as well as the collection, storage and use of information on consumers interacting with those websites. We may incur additional costs and operational challenges in complying with these laws, and differences in these laws may cause us to operate our businesses differently in different territories. If so, we may incur additional costs which could negatively impact our financial condition and results of operations.

We will require significant capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. While we plan to use cash from operations to fund our operations and execute our growth strategies, if we are unable to maintain sufficient levels of cash flow, we may not meet our growth expectations or we may require additional financing which could adversely affect our financial health and impose covenants that limit our business activities, as well as cause dilution to existing Shareholders.

We plan to continue our growth, including expanding our e-commerce business, opening new stores, entering into relationships with new international operating partners, and upgrading our information technology systems and other infrastructure as opportunities arise. Our plans to expand our store network, our e-commerce business and international operating partner relationships may not result in expected increases in our sales even though they increase our costs. Given that the growth initiatives that we intend to undertake will require significant capital investments over the near-to-medium-term, to the extent that we are unable to generate sales growth at expected levels, our operating cash flow may not be sufficient to fund our operations and execute our growth strategies, which could have an adverse effect on our business and results of operations.

We will not receive any proceeds from the Offering. We primarily depend on cash flow from operations and our Credit Facilities to fund our business and growth plans, and will continue to do so following completion of the Offering. If our business does not generate sufficient cash flow from operations to fund these activities, and sufficient funds are not otherwise available to us from our Credit Facilities, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed and we may need to delay, limit or eliminate expansion plans or operations or other elements of our growth strategies.

The issuance of additional Shares under any equity financing may have a dilutive effect on the interests of Shareholders. The number of Shares that we are authorized to issue is unlimited. We may, in our sole discretion, subject to applicable law and the rules of the TSX, issue additional Shares from time to time (including pursuant to any equity-based compensation plans), and the interests of Shareholders may be diluted as a result.

A material disruption in or security breach affecting our information technology systems or e-commerce business could significantly affect our business and lead to reduced sales, growth prospects and reputational damage.

The protection of customer, employee and company data is critical to us. We rely extensively on our computer systems to track inventory and customer data, manage our supply chain, record and process transactions, collect and summarize data and manage our business. While our systems are designed to operate without interruption, we may experience interruptions to the availability of our computer systems from time to time. The failure of our computer systems to operate effectively, keep pace with our growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect our business. In addition, our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, denial-of-service attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data, compromise to the integrity or confidentiality of customer and employee information in our systems or networks, disruption to the systems or networks of third parties on which we rely, and interruptions or delays in our operations. A lack of relevant and reliable information that enables management to effectively manage our business could preclude us from optimizing our overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on our business and results of operations. A disruption to our e-commerce business could reduce our e-commerce sales, increase our costs, diminish our growth prospects, expose us to litigation, decrease customer confidence and damage our brand, and a material interruption to any of our computer systems could adversely affect our business or results of operations and our reputation.

Experienced computer programmers and hackers, or even internal users, may be able to penetrate or create system disruptions or cause shutdowns of our network security or that of third party companies with which we have contracted to provide services. We generally collect and store customer information for marketing purposes and any compromise of customer information could subject us to customer or government litigation, which would harm our reputation and could adversely affect our business and growth. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or data breaches. An increasing number of websites, including several large internet companies, have recently disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that we buy or licence from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to us to eliminate or alleviate security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions.

In addition, many jurisdictions in which we operate have adopted breach of privacy and data security laws or regulations that require notification to consumers if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead customers to request that we take additional measures to enhance security or restrict the manner in which we collect and use customer information to gather insights into customer behaviour and develop our marketing programs. As a result, we may have to modify our business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Any compromise of our security or accidental loss or theft of customer data in our possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to our reputation, which could adversely impact our business, results of operations and the price of our Shares.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs.

Our business is subject to industry consolidation risk.

Consolidation is a trend that has recently affected retail and other industries over the past few years. Management believes that recent consolidation efforts within the industry have come about as a result of continued growth as well as the increased opportunities that the transition to e-commerce within the industry offers. Consolidation in the retail apparel industry would result in a reduction in the number and an increase in the size of companies that compete with Roots. If our competitors consolidate, or are consolidated by a global multi-channel organization, they will likely increase their market share, gain economies of scale that enhance their ability to compete with us or acquire additional expertise, products and technologies that could displace our product offerings or business model, which could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Shares to decline.

If we lose the services of members of our management team or other key personnel, or are unable to attract new team members who possess specialized market knowledge and technical skills, it could reduce our ability to compete and to manage our operations effectively.

Our management team consists of a core group of senior executive officers with a complementary mix of retail, footwear, apparel, e-commerce, operational and sourcing expertise developed through years of experience. The loss of the technical knowledge, management expertise and understanding of our operations of one or more members of our team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves us and would need to spend time usually reserved for managing our business to search for, hire and train new members of management.

The loss of some or all of our management team or other key personnel, including our designers and managers of key functional areas, could negatively affect our ability to develop and pursue our growth strategy, which could adversely affect our business and financial condition. Any departures of key personnel could also be viewed in a negative light by investors and analysts, which could cause the price of our Shares to decline.

Additionally, the market for key personnel in our industries is highly competitive. As a result, we may not be able to attract and retain key personnel with the skills and expertise necessary to manage our business and pursue our growth strategy.

Many of our business functions are centralized at our head office location. Disruptions to the operations at this location could have an adverse effect on our business.

Our head office is located in Toronto, Ontario. We have centralized a large number of business functions at this location, including product and store design, customer support, marketing and retail

management. Most of our senior management, our primary data centre and critical resources dedicated to merchandising, financial and administrative functions, are all located at our head office. If we were required to shut down the head office location for any reason, including fire, earthquake or other natural disaster or civil disruption, our management and our operations staff would need to find an alternative location, causing significant disruption and expense to our business and operations.

We recognize the need to enhance our disaster recovery, business continuity and document retention plans that would allow us to be operational despite unforeseen events impacting our head office, and intend to do so in the future. Without disaster recovery, business continuity and document retention plans, if we encounter difficulties or disasters at our head office, our critical systems, operations and information may not be restored in a timely manner, or at all, and may adversely impact our business operations.

If we fail to attract new customers, we may not be able to increase sales.

Our success depends, in part, on our ability to attract new customers, particularly, in accordance with our growth strategy, in the United States and internationally in markets in which we have limited stores and brand awareness. In order to expand our customer base in these new markets, we must appeal to and attract consumers who identify with our products, which may be more difficult outside of Canada. We have made significant investments in enhancing our brand and attracting new customers in the United States and internationally, and expect to continue to make significant investments to promote our products to current and new customers, including through our e-commerce platforms and retail store presence. Such campaigns can be expensive, time consuming and may not be successful in increasing sales. Further, as our brand becomes more widely known outside of Canada, we may not attract new customers at the rate we have in the past. If we are unable to attract new customers outside of the Canadian markets, we may not be able to increase our sales.

If we fail to adequately continue to connect with our customer base, our business may be adversely affected.

We focus on word-of-mouth and in-store marketing to capture the interest of our customers and entice them to our stores and website. We also use traditional advertising channels, such as newspapers, magazines, billboards, television and radio, which are used by some of our competitors. We have no assurance that our word-of-mouth and in-store marketing efforts will prove successful in new markets or continue to be successful in our existing markets. As we expand into new geographic markets, consumers in these markets may not be drawn to our brand image. We anticipate that, as our business expands into new markets and as the market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. In addition, while we currently intend to increase our annual marketing spend from approximately 2% to 4% of sales, there can be no assurances that the expected increase in marketing spend will necessarily result in increased sales for us.

We rely on social media, such as Facebook, Instagram and Twitter, to connect with our customer base. If our marketing efforts are not successful using social media, there may be no immediately available or cost effective alternative marketing channel for us to use to build or maintain brand awareness. If we are required to use traditional advertising channels more prominently in our overall marketing strategy, we will incur additional expense associated with the transition to and operation of a traditional advertising channel. As we execute our growth strategies, our ability to successfully increase brand awareness and expand our e-commerce business will be adversely impacted if we fail to connect with our target customers, which could adversely affect our business, results of operations and financial condition.

In addition, we aim to effectively leverage our celebrity and ambassador relationships to further promote our brand and products. In the event that one or more celebrities or ambassadors with which we have an existing arrangement no longer promotes our brand or is subject to negative publicity in the media, we may be required to spend time and resources cultivating new celebrity and ambassador relationships, and these new relationships might not be as successful as our existing relationships. If we are unable to effectively recruit celebrities and ambassadors with a meaningful following to promote our brand and products, our business and results of operations may be adversely affected.

We are dependent on a limited number of distribution facilities, one of which is operated by a third party logistics provider, and a single leather factory. If one or more of our distribution facilities or our leather factory become inoperable, capacity is exceeded or if operations are disrupted, our business, financial condition and results of operations may be negatively affected.

We depend on the orderly operation of the receiving and distribution process, and manufacturing of our leather products, which relies on adherence to shipping schedules and effective management of distribution facilities, the leather factory and sufficiently planned capacity. Although we believe that our receiving and distribution processes and the manufacture of our leather products are efficient, and we have appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, electronic or power interruptions, failure of software and hardware or other system failures, labour disagreements or other shipping or manufacturing problems may result in delays in the manufacture or delivery of merchandise to our stores, international operating partners and e-commerce customers. Additionally, although we believe that the capacity of our leather factory and distribution facilities meets our current needs, we expect we will need to expand our manufacturing, receiving and distribution capacity in the future. Planning for expansion of our manufacturing and distribution capacity to meet future needs is currently underway. Any failure to expand our manufacturing and distribution capacity in a timely manner to keep pace with our growth could have an adverse effect on our business.

If we were to lose access to our leather factory, temporarily or permanently, potential difficulties or delays in sourcing a suitable alternative location that meets our specific capacity and manufacturing requirements in a timely fashion, or at all, may result in delays in the manufacture of our leather products. In addition, if we were unable to source a suitable alternative leather factory within Canada and were required to manufacture all leather products from outside of Canada, we would not be able to apply a “Made in Canada” designation on the leather products currently manufactured in our leather factory, which could have an adverse effect on our brand and sales of our leather products.

Although we maintain business interruption insurance and property insurance, we cannot provide any assurance that our insurance coverage will adequately protect us from the adverse effects that could result from significant disruptions to our distribution system or leather factory, such as the long-term loss of customers or an erosion of our brand, or that insurance proceeds will be paid to us in a timely manner, or at all. In addition, our distribution capacity depends on the timely performance of services by third parties, including the shipping of our products to and from our distribution facilities. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies may be harmed.

Our sales and inventory purchases fluctuate on a seasonal basis, which could adversely affect our business and financial condition.

Our business is highly seasonal, with a significantly higher proportion of sales and operating cash flows historically generated during the second half of the fiscal year, which includes the back-to-school and holiday selling seasons. We also have higher working capital requirements in the periods preceding the launch of new seasonal lines as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our Credit Facilities, resulting generally in increased leverage during the first half of the fiscal year and during the period preceding the launch of new seasonal lines.

This seasonality in sales, cash flows and expenses may impact the comparability of our results of operations and could adversely affect our business and financial condition. Seasonal or cyclical variations in our business may become more pronounced over time and may harm our results of operations in the future.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things: the timing of new store openings; sales and profits contributed by new stores; increases or decreases in comparable sales growth; changes in our product mix; the timing of new advertising and brand or product introductions; and shifts in observed seasonal holiday schedules.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance.

Any future seasonal or quarterly fluctuations in our results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of our Shares to decline. Seasonal or quarterly factors in our business and results of operations may also make it more difficult for market analysts and investors to assess the longer-term profitability and strength of our business at any particular point, which could lead to increased volatility in the price of our Shares. Increased volatility could cause the price of our Shares to suffer in comparison to less volatile investments.

We may be unable to protect our trademarks or other intellectual property rights, and may be subject to claims that we, or our suppliers, have infringed upon the trademarks or other intellectual property rights of third parties.

We believe that our trademarks are integral to our business and our success in building our brand image and customer loyalty. We rely on trademark registrations and common law trademark and copyright rights to protect the distinctiveness of our brand and have registered those trademarks that we believe are important to our business in many jurisdictions around the world. We have registered certain of our trademarks in many foreign countries to seek protection of our key trademarks and may seek to expand these registrations in the future. However, international protection of our brand image and the use of these marks may be unavailable or could be limited. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada. In other cases, there may be holders who have prior rights to similar marks. We are not aware of any infringement upon or challenges to our right to use any of our brand names or trademarks. Nevertheless, we cannot provide any assurances that our registrations will prevent imitation of our name, or our brand, or the infringement of our other intellectual property rights by others within Canada, the United States, China, Taiwan or elsewhere. Imitation of our brand in a manner that projects lesser quality or carries a negative connotation of our brand image could have an adverse effect on our business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with our brand or trademarks in jurisdictions where our intellectual property rights are not protected may negatively affect our image and reputation in Canada, the United States, China, Taiwan or elsewhere. If we fail to enforce or maintain any of our intellectual property rights, we may be unable to capitalize on our efforts to maintain and, in new markets, increase our brand equity.

We currently own no patents or exclusive intellectual property rights in the fabrics or processes used for our merchandise. Any such intellectual property rights are owned or controlled by our suppliers and manufacturers and are generally not unique to us. We do not generally seek to patent our merchandise designs given the time, expense and degree of distinctiveness required to do so. Intellectual property protection for our merchandise is therefore limited. As a result, our current and future competitors may be able to manufacture and sell merchandise with fabrications, characteristics and styling similar to our merchandise. Because some of our competitors may have greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell merchandise based on our designs, fabrics and manufacturing processes at lower prices than we can. If our competitors do sell similar merchandise to ours at lower prices, our sales and profitability could suffer.

Litigation may be necessary to protect and enforce our trademarks and other intellectual property rights, or to defend against claims brought by third parties. Furthermore, our internally designed merchandise or our marketing materials may, or may in the future, be claimed to violate intellectual property rights of third parties. We also purchase certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and we do not independently investigate whether the suppliers legally hold the intellectual property rights to the merchandise sold to us.

Although we cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against us could result in substantial costs and diversion of our resources, which could have an adverse effect on our business, financial condition and results of operations. If disputes arise in the future, we may not be able to successfully resolve these types of conflicts to our satisfaction.

If we are unable to attract, motivate and retain quality sales staff, we may not be able to maintain a consistently high level of customer service and grow or sustain our operations and, as a result our brand, business and financial results may be harmed.

Our business is dependent on our ability to attract, motivate and retain a sufficient number of store employees, including store managers, who understand and appreciate our customers, brand and corporate culture, and are able to adequately and effectively represent our culture and establish credibility with our customers. Many of these employees are in entry level or part-time positions with historically high rates of turnover. There is also a high level of competition for experienced, qualified personnel in the retail industry and we compete for personnel with a variety of companies looking to hire for retail positions. Historically, we have prided ourselves on our commitment to employee growth and development and we focus on promoting from within our team. However, our growth plans may strain our ability to staff our new stores, particularly at the store manager level, which could have an adverse effect on our ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on our business. If we are unable to attract, train and retain store personnel capable of consistently providing exceptional customer service, as demonstrated by their enthusiasm for our culture and brand, understanding of our customers and knowledge of the merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores may be materially adversely affected and our brand image and our ability to continue to implement our growth strategies may be negatively impacted.

We rely upon independent third party transportation providers for substantially all of our merchandise shipments.

We currently rely upon independent third party transportation providers for substantially all of our merchandise shipments, including shipments to our distribution facilities, all of our stores, our international operating partner and our e-commerce customers. Our use of outside delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. If we change transportation providers, we could face logistical difficulties that could adversely impact deliveries and we may incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favourable as those received from the independent third party transportation providers we currently use, which may also result in increased costs. In addition, we depend on multiple forms of transportation to distribute our products to, and receive raw materials from, international markets, including road, rail and port. As with all companies that are dependent on road, rail, port and other transportation methods for distribution purposes, strikes of certain operational groups of such transportation workers can disrupt our distribution system, thereby representing an ongoing risk to our business. Prolonged strike action can cause significant upheaval to our distribution operations.

Failure of our third party transportation providers to deliver our merchandise in a timely manner may negatively impact our ability to optimize merchandise offerings, customer service levels, brand reputation and profitability.

We may upgrade or replace certain core information technology systems, including our distribution operation systems, which could disrupt our operations and adversely affect our financial results.

The implementation of new information technology systems, including our distribution operation systems, may cause delays or disruptions or may be used improperly, either of which might negatively impact our business, prospects, financial condition and results of operations.

The risks associated with information technology systems changes, as well as any failure of such systems to operate effectively, could adversely impact human capital management and the promptness and accuracy of our merchandise distribution, transaction processing and financial accounting and reporting capabilities. Internal controls over financial reporting, the efficiency of our operations and our ability to properly forecast earnings and cash requirements may be adversely affected, and we may be required to make significant additional capital expenditures to remediate any such failures or problems.

We believe that other companies have experienced significant delays and cost overruns in implementing similar system changes, and we may encounter problems as well. Our planned investments in

maintenance capital expenditures and infrastructure are forward-looking information and are based on opinions, estimates and assumptions that may prove incorrect. Actual costs may vary materially from those forecast in this prospectus. Additional, unforeseen costs in developing infrastructure, including e-commerce and distribution infrastructure and other information technology improvements may adversely impact our business operations. We may not be able to successfully implement these new systems or, if implemented, we may still face unexpected disruptions in the future. Any resulting delays or disruptions could harm our business, prospects, financial condition and results of operations.

Union attempts to organize our employees or increased labour costs could negatively affect our business.

None of our employees are currently subject to collective bargaining agreements. As we continue to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain stores, distribution facilities, the leather factory or within certain regions. Responding to such organization attempts may distract management and employees and may have a negative financial impact on individual stores, or on our business as a whole.

The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions, such as strikes or lockouts, could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our employees are subject to provincial or state laws governing such matters as minimum wage, working conditions and overtime. Changes in these laws in the markets in which we operate, particularly increases to minimum wage, could cause our operating expenses to increase. A significant increase in labour costs could have an adverse effect on our business, financial condition and results of operations.

We may be unable to continue to grow sales levels or meet other financial targets, which could cause the price of our Shares to decline.

Our success depends, in part, upon our ability to continue to grow comparable sales and achieve sales and other financial targets for our stores, international operating partners and e-commerce business. Various factors affect sales levels, including competition, consumer trends and preferences, the general economic and retail environment, our ability to efficiently source and distribute products, brand innovation and changes in our merchandising mix, the timing of release of new merchandise and promotional events, the success of marketing campaigns, prior period sales levels, inventory shrinkage, the timing and amount of markdowns, weather conditions and changes in the other tenants in the shopping centres or other locations in which our stores are located. These factors may cause our sales results to differ materially from prior periods and from expectations. Past sales and other financial results are not an indication of future results, and there can be no assurance that our sales levels will not decrease in the future. We have made and intend to continue to make significant capital investments to increase comparable sales growth by focusing on brand and product innovation and optimizing store layout, merchandise and product offerings and presentation. Failure to continue to grow comparable sales growth or failure to meet other financial targets or expectations could adversely affect our sales and the price of our Shares could decline. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook”.

We are subject to numerous laws and regulations that could adversely affect our business.

We are subject to numerous laws and regulations, including labour and employment, consumer protection, human rights, advertising, environmental, customs, taxes and other laws that regulate retailers generally or govern the importation, labeling, promotion, distribution and sale of merchandise and the operation of stores and other facilities in each of the jurisdictions in which our merchandise is distributed and sold. Although we have implemented procedures designed to ensure compliance with applicable laws and regulations, if our management, employees, suppliers, manufacturers or others fail to comply with any of

these laws or regulations for any reason, we could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect our business. Additionally, although we undertake to monitor applicable laws, it is possible that changes may be implemented or new laws or regulations may be introduced without our knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of our business more expensive or require us to change the way we do business. It is often difficult for us to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes may be material to us.

Certain of our marketing practices rely upon e-mail to communicate with consumers on our behalf. We may face risk if our use of e-mail is found to violate the applicable law. In addition, any failure by us to comply with privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance with such laws. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

We may be subject to additional taxes, which could affect our operating results.

We may be subject to assessments for additional taxes, including sales taxes, which could reduce our operating results. In accordance with current law, we pay, collect and/or remit taxes in those jurisdictions where we maintain a physical presence. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that may not be entirely free from doubt and for which we have not received rulings from the governing authorities.

While we believe that we have appropriately remitted all taxes based on our interpretation of applicable law, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us if the applicable authorities do not agree with our positions. A successful challenge by a tax authority, through asserting either an error in our calculation, or a change in the application of law or an interpretation of the law that differs from our own, could adversely affect our results of operations.

We are subject to insurance-related risks.

We maintain director and officer insurance, liability insurance, business interruption and property insurance and our insurance coverage includes deductibles, self-insured retentions, limits of liability and similar provisions. There is no guarantee, however, that our insurance coverage will be sufficient, or that insurance proceeds will be timely paid to us. In addition, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If we incur these losses and they are material, our business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

We are subject to payment-related risks.

We accept payments using a variety of methods, including credit cards, debit cards and gift cards. For existing and future payment methods we offer to our customers, we may become subject to additional regulations and compliance requirements, as well as fraudulent activities. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time, raising our operating costs and lowering profitability. We rely on third party service providers for payment processing services, including the processing of credit and debit cards. Our business may be negatively affected if these third party service providers become unwilling or unable to provide these services to us. We

are also subject to payment card association operating rules, including data security and management rules, certification requirements and rules governing electronic funds transfers and if we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees and/or lose our ability to accept credit and debit card payments from our customers and process electronic funds transfers or facilitate other types of payments, and our business and operating results may be adversely affected.

There are risks related to forward-looking information in this prospectus.

The forward-looking information included in this prospectus relating to, among other things, our future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate (including, in particular, the information contained in "Prospectus Summary" and "Our Business") including our target to grow annual sales, Adjusted EBITDA and Adjusted Net Income by the end of Fiscal 2019 and the other statements listed in "Forward-Looking Information", is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Outlook". However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those included in this prospectus. See "Forward-Looking Information".

Natural disasters and unusual weather could adversely affect our operations and financial results.

Extreme weather conditions in the areas in which our stores are located could adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability, as our business depends on high customer conversion. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect our ability to execute our strategy to effectively present seasonal inventory. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores or warehouses located in the affected areas, thereby disrupting our business operations.

Furthermore, a significant portion of our business functions operate out of our headquarters in Toronto, Ontario. As a result, our business is vulnerable to disruptions due to local weather, economics and other factors.

There are claims made against us from time to time that can result in litigation that could distract management from our business activities and result in significant liability or damage to our brand.

As a growing company with expanding operations, we increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include employee and customer claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. Most of our products are produced and supplied by third party manufacturers and suppliers and some of these products may expose us to various claims, including class action claims relating to merchandise that is subject to a product recall or liability claim. Litigation and other claims against us could result in unexpected expenses and liabilities, which could materially adversely affect our operations and our reputation.

Although we maintain liability insurance to mitigate potential claims, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

Parties with whom we do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us.

We are party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to us. If any of these third parties were to become subject to declines in their revenues, thereby negatively affecting our royalty or other payments from them, or become subject to bankruptcy, receivership or similar proceedings, our rights and benefits in relation to our contracts, transactions and business relationships with such third parties may be terminated, modified in a manner adverse to us, or otherwise impaired. We cannot make any assurances that we would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as our existing contracts, transactions or business relationships, if at all. Any inability on our part to do so could have a material adverse effect on our business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.

IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with generally accepted accounting principles.

The terms of our Credit Facilities do, and any additional debt financing may, restrict our current and future operations, which could adversely affect our ability to manage our operations and respond to changes in our business.

We are currently indebted under our Credit Facilities and we may incur additional indebtedness under the Credit Facilities or otherwise in the future. We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness 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 interest rate risk. Our borrowings, current and future, will require interest payments and need to be repaid or refinanced, could require us to divert funds identified for other purposes to debt service and could create additional cash demands or impair our liquidity position and add financial risk for us. Diverting funds identified for other purposes for debt service may adversely affect our business and growth prospects. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. We do not know whether we would be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all.

Our Credit Agreement contains restrictive financial and other covenants which affect, among other things, the manner in which we may structure or operate our business. A failure by us to comply with our contractual obligations (including restrictive, financial and other covenants), or to pay our indebtedness and fixed costs under our current or future financing arrangements could result in a variety of material adverse consequences, including the acceleration of our indebtedness and the exercise of remedies by our creditors, and such defaults could trigger additional defaults under other agreements. In such a situation, it is unlikely that we would be able to repay the accelerated indebtedness or fulfill our obligations under certain contracts, or otherwise cover our fixed costs, and our future financial condition would be materially adversely affected.

Our degree of leverage could have a material adverse effect on our business and results of operations, including:

- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restricting our flexibility and discretion to operate our business;
- limiting our ability to declare dividends on our securities;
- having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes;
- exposing our business to debt capital market risks, including interest rate risk and refinancing risk at maturity;
- exposing us to increased interest expense on borrowings at variable rates;
- limiting our ability to adjust to changing market conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us vulnerable to a downturn in general economic conditions; and
- making us unable to make expenditures that are important to our growth strategies.

We will incur increased expenses as a result of being a public company and our current resources may not be sufficient to fulfill our public company obligations.

We will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact our performance and could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX substantially increases our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes and controls, as well as on our personnel.

We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers. As a result of the foregoing, we expect a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of our inherent limitations and the fact that we are a new public company and are implementing new financial control and management systems, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of our Shares and harm our ability to raise capital in the future.

If our management is unable to certify the effectiveness of our internal controls or if material weaknesses in our internal controls are identified, we may be subject to regulatory scrutiny and a loss of public confidence, which could harm our business and cause a decline in the price of our Shares. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in the price of our Shares and harm our ability to raise capital. Failure to accurately report our

financial performance on a timely basis could also jeopardize our listing on the TSX or any other stock exchange on which our Shares may be listed. Delisting of our Shares on any exchange would reduce the liquidity of the market for our Shares, which would reduce the price of and increase the volatility of the price of our Shares.

A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results may be materially adversely affected, which could also cause investors to lose confidence in our reported financial information, which in turn could result in a reduction in the trading price of the Shares.

Our ability to manage our operations at our current size and successfully execute on our growth strategies is subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of our Shares.

The continued success of our growth strategies depends on, among other things, our ability to expand our store network, expand and reposition existing stores on a timely and profitable basis, grow our e-commerce business, drive sales growth through brand and product innovation, leverage our competitive advantages and increase our footprint internationally, as well as factors which are beyond our control, including general economic conditions and consumer confidence in future economic conditions. If we fail to execute any one or more of these initiatives or fail to fully realize the benefits expected to result from these initiatives, our results of operations and our ability to remain competitive may be materially adversely impacted, and the price of our Shares could decline. Our results to date are not an indication of future results, and there can be no assurance that these initiatives will generate increased sales or improve operating margins even if we are to successfully implement our growth strategies.

As we move forward, we expect our growth to bring new challenges and complexities that we have not faced before. Among other difficulties that we may encounter, this growth could place a strain on our existing infrastructure, including our manufacturing and distribution facilities, information technology systems, real estate requirements and employee base and may make it more difficult for us to adequately forecast expenditures. Our budgeting will become more complex, and we may also place increased burdens on our suppliers and manufacturers, as we will likely increase the size of our merchandise orders. The increased demands that our growth plans will place on our infrastructure and our management team may cause us to operate our business less efficiently, which could cause deterioration in our performance. Our growth may make it otherwise difficult for us to respond quickly to changing trends, consumer preferences and other factors. This could result in excess or deficient inventory, greater markdowns, loss of market share and decreased sales. We cannot anticipate all of the demands that our expanding operations will impose on our business, and our failure to appropriately address these demands could have an adverse effect on us.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our brand and designs and personalized customer service. As we continue to grow, we must effectively integrate, develop and motivate a growing number of new employees. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our growth strategies.

Bankruptcies by other retailers and licensees may negatively impact us.

A bankruptcy or ceasing of operations by one or more of our international or licensee partners or their major wholesale customers could result in failure to recover accounts receivable with respect to products that we have licensed to such partners and would result in the loss of a distribution partner. Furthermore, bankruptcies of certain mall co-tenants could reduce the level of foot traffic to our stores in that location, and therefore the number of purchases made at that store could be adversely affected. If any of these actions were to occur, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, a competitor that is experiencing financial instability or entering into liquidation or bankruptcy proceedings may flood the market with competitively low pricing for their product, which could have a temporary impact on our ability to sell our competing products during this liquidation window, which could have an adverse effect on our business and results of operations during that period.

Risks Related to the Offering and Ownership of Our Shares

The market price for Shares may be volatile and your investment could suffer a decline in value.

The market price of our Shares may be subject to significant fluctuations after the Offering, and it may decline below the Offering Price. Some of the factors that may cause the market price of our Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Shares by existing Shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this prospectus.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Shares by those institutions, which could materially adversely affect the trading price of the Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Shares. Consequently, the price of our Shares could fluctuate based upon factors that have little or nothing to do with us, and these

fluctuations could materially reduce the price of our Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, results of operations and financial condition.

Searchlight will continue to have significant influence over us after the Offering, including control over decisions that require the approval of Shareholders, which could limit your ability to influence the outcome of matters submitted to Shareholders for a vote.

Upon completion of the Offering, the Searchlight Selling Shareholders will, in the aggregate, beneficially own, control or direct, approximately ● % of our issued and outstanding Shares (or approximately ● % if the Over-Allotment Option is exercised in full) and will have the right to nominate for election by Shareholders ● % of our Board. As long as the Searchlight Selling Shareholders own or control a significant number of our outstanding Shares, they will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other Shareholders may vote, including the election and removal of directors and the size of our Board, any amendments to our Articles, or the approval of any merger, acquisition or other significant corporate transaction, including a sale of all or substantially all of our assets. Even if the Searchlight Selling Shareholders' collective ownership falls below ● %, Searchlight will continue to be able to strongly influence or effectively control our decisions. See "Principal and Selling Shareholders" and "Agreements with Principal Shareholders – Investor Rights Agreement".

In addition, Searchlight's interests may not align with the interests of our other Shareholders. Searchlight is in the business of making investments in companies and may acquire and hold, from time to time, interests in businesses that compete directly or indirectly with us. Searchlight may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Future sales of our securities by existing Shareholders or by us could cause the market price for our Shares to decline.

Sales of a substantial number of our Shares in the public market could occur at any time after the expiration of the 180-day contractual lock-up period described in the "Plan of Distribution – Lock-Up Arrangements" section of this prospectus. These sales, or the market perception that the holders of a large number of Shares intend to sell their Shares, could significantly reduce the market price of our Shares and the market price could decline below the Offering Price. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Shares. If the market price of our Shares was to drop as a result, this might impede our ability to raise additional capital and might cause remaining Shareholders to lose all or part of their investment.

Following completion of the Offering, we will have ● Shares outstanding. Pursuant to the Underwriting Agreement, each of us and the Selling Shareholders have agreed that we will not, directly or indirectly, without the prior written consent (such consent not to be unreasonably withheld) of the Joint Active Bookrunners, on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any of our Shares, or securities convertible or exchangeable into our Shares for a period commencing on the Closing Date and ending 180 days after the Closing Date, subject to certain exceptions. Following the expiration of the 180-day period, those Shares will be available for sale in the public markets subject to restrictions under applicable securities laws in Canada. In addition, following Closing there will be options to acquire ● Shares. The Shares issuable upon the exercise of these options, will, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws in Canada, also become eligible for sale in the public market.

Moreover, after the Offering, certain of our Shareholders will have certain rights under the Investor Rights Agreement to require us to file a prospectus covering their registrable securities or to include their registrable securities in prospectuses that we may file for ourselves or on behalf of other Shareholders.

Further, we cannot predict the size of future issuances of our Shares or the effect, if any, that future issuances and sales of our Shares will have on the market price of our Shares. Sales of substantial amounts of our Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Shares.

An active, liquid and orderly trading market for our Shares may not develop, and you may not be able to resell your Shares at or above the Offering Price.

We have applied for the listing of the Shares on the TSX. There is currently no market through which our Shares may be sold and, if a market for our Shares does not develop or is not sustained, you may not be able to resell your Shares purchased in the Offering. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares and the extent of issuer regulation. The Offering Price of our Shares was determined through negotiation between the Selling Shareholders and the Underwriters. The Offering Price may not be indicative of the market price of our Shares after the Offering. In the absence of an active trading market for our Shares, investors may have difficulty selling their Shares. We cannot predict the prices at which our Shares will trade.

We do not expect to pay any cash dividends for the foreseeable future.

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends for the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under the Credit Agreement and other agreements for indebtedness we may incur, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board deems relevant. Accordingly, if you purchase Shares in the Offering, realization of a gain on your investment will depend on the appreciation of the price of our Shares, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our Shares.

Tax law may change.

On July 18, 2017, the Minister of Finance (Canada) released for consultation a discussion paper seeking input on possible approaches to address certain perceived tax advantages of investing passively through a private corporation under the Tax Act. Potential alternatives for amending the current system of corporate taxation under the Tax Act were outlined in this paper, although specific proposals to amend the Tax Act to address such perceived tax advantages were not included. However, such legislative proposals are expected to be released by the Minister of Finance (Canada) following such consultation. There can be no assurance that, following the enactment of any such proposals, securities held by a private corporation will not be taxed under the Tax Act in a manner that is less favourable than under the current system.

Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Shares, which could depress the price of our Shares.

Upon completion of the Offering, our Board will have the authority to issue preferred shares and to determine the preferences, limitations and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our Shareholders. Our preferred shares may be issued with liquidation, dividend and other rights superior to the rights of our Shares. The potential issuance of preferred shares may delay or prevent a change in control of us, discourage bids for our Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about us or our business, our trading price and our trading volume could decline.

The trading market for our Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering us, the trading price for our Shares would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrade our Shares or publish inaccurate or unfavourable research about our business, the trading price of our Shares may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Shares could decrease, which could cause the trading price and volume of our Shares to decline.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

We are not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against us, nor have we entered into any settlement agreements before a court or with a securities regulatory authority.

LEGAL MATTERS

The matters referred to under “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of the Shares, will be passed upon on our behalf by Torys LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As at the date of this prospectus, the partners and associates of each of Torys LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly and indirectly, less than 1% of our outstanding securities or other property, our associates or our affiliates.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this prospectus, there are no material interests, direct or indirect, of any of our directors or executive officers, any Shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the aggregate votes attached to the Shares, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transactions”.

AUDITOR, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Chartered Professional Accountants, located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5, is our auditor and has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

The transfer agent and registrar for the Shares will be Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Each of Searchlight Capital II PV, L.P., SC II TMK, L.P. and Searchlight TMK Co-Invest Partners, L.P. is an entity formed, continued or otherwise organized under the laws of a jurisdiction outside of Canada. In addition, certain of our operations and assets are located outside of Canada, and one of our directors, Eric Zinterhofer, resides outside of Canada. Although Searchlight and our current directors and officers who reside outside of Canada either have an office in Canada or have appointed Roots Corporation, 1400 Castlefield Avenue, Toronto, Ontario, M6B 4C4, as their agent for service of process in Canada, purchasers are advised that it may not be possible for investors to enforce against such persons judgments obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

This prospectus includes a summary description of certain of our material agreements. The summary description discloses all attributes material to an investor in the Shares but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

The following are our only material contracts that will be in effect on Closing (other than certain agreements entered into in the ordinary course of business):

- (a) the Underwriting Agreement (see “Plan of Distribution”);
- (b) the Investor Rights Agreement (see “Agreements with Principal Shareholders”); and
- (c) the Credit Agreement (see “Description of Material Indebtedness”).

Copies of the foregoing documents will be available following Closing on SEDAR at www.sedar.com.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

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Interim Condensed Consolidated Financial Statements

(In Canadian dollars)

ROOTS CORPORATION

Second quarter report to shareholders
For the 13 and 26 week periods ended July 29, 2017 and July 30, 2016
(Unaudited)

ROOTS CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Note	As at July 29, 2017	As at January 28, 2017
Assets			
Current assets:			
Cash		\$ 440	\$ 25,257
Accounts receivable	8	8,277	4,946
Inventories		45,221	32,682
Prepaid expenses		1,373	1,573
Total current assets		55,311	64,458
Non-current assets:			
Loan receivable	8	520	520
Fixed assets		33,274	31,219
Intangible assets		205,963	208,541
Goodwill		52,705	52,705
Total non-current assets		292,462	292,985
Total assets		<u>\$347,773</u>	<u>\$357,443</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness		\$ 1,408	\$ —
Accounts payable and accrued liabilities	8	20,469	16,448
Deferred revenue		3,429	3,840
Income taxes payable	6	1,858	5,536
Current portion of long-term debt	9	6,244	5,550
Derivative liabilities	7, 8	2,111	—
Total current liabilities		35,519	31,374
Non-current liabilities:			
Deferred tax liabilities	6	21,262	21,248
Deferred lease costs		3,204	2,154
Finance lease obligation		1,034	456
Long-term debt	9	113,315	98,909
Other non-current liabilities		1,947	2,118
Total non-current liabilities		140,762	124,885
Total liabilities		176,281	156,259
Shareholders' equity:			
Common shares	10	195,994	195,994
Contributed surplus	5	678	483
Accumulated other comprehensive loss		(1,548)	—
Retained earnings (deficit)		(23,632)	4,707
Total shareholders' equity		171,492	201,184
Total liabilities and shareholders' equity		<u>\$347,773</u>	<u>\$357,443</u>
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On behalf of the Board:

Director

Director

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET LOSS
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Note	July 29, 2017 (13 weeks)	July 30, 2016 (13 weeks)	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
Sales		\$58,115	\$46,588	\$106,346	\$ 91,330
Cost of goods sold		27,111	23,426	49,384	50,071
Gross profit		31,004	23,162	56,962	41,259
Selling, general and administrative expenses ...		33,775	28,748	65,205	59,261
Loss before the under-noted		(2,771)	(5,586)	(8,243)	(18,002)
Interest expense	8	1,592	1,416	2,980	3,042
Loss before income taxes		(4,363)	(7,002)	(11,223)	(21,044)
Income taxes recovery	6	(1,137)	(2,040)	(2,884)	(6,132)
Net loss		<u>\$ (3,226)</u>	<u>\$ (4,962)</u>	<u>\$ (8,339)</u>	<u>\$(14,912)</u>
Basic and diluted loss per share	4	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

	<u>Note</u>	<u>July 29, 2017</u> <u>(13 weeks)</u>	<u>July 30, 2016</u> <u>(13 weeks)</u>	<u>July 29, 2017</u> <u>(26 weeks)</u>	<u>July 30, 2016</u> <u>(26 weeks)</u>
Net loss		\$(3,226)	\$(4,962)	\$(8,339)	\$(14,912)
Other comprehensive income (loss), net of taxes:					
Items that may be subsequently reclassified to profit or loss:					
Effective portion of changes in fair value of cash flow hedges	7, 8	(3,096)	—	(2,074)	—
Cost of hedging excluded from cash flow hedges	7, 8	65	—	63	—
Tax impact of cash flow hedges	7, 8	808	—	536	—
Total comprehensive loss		<u>\$(5,449)</u>	<u>\$(4,962)</u>	<u>\$(9,814)</u>	<u>\$(14,912)</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

		Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
July 29, 2017 (26 weeks)	Note					
Balance, January 29, 2017		\$195,994	\$483	\$ 4,707	\$ —	\$201,184
Net loss		—	—	(8,339)	—	(8,339)
Net change in fair value of cash flow hedges, net of income taxes		—	—	—	(1,475)	(1,475)
Transfer of realized gain on cash flow hedges to inventories, net of income taxes		—	—	—	(73)	(73)
Distributions declared		—	—	(20,000)	—	(20,000)
Share-based compensation	5	—	195	—	—	195
Balance, July 29, 2017		<u>\$195,994</u>	<u>\$678</u>	<u>\$(23,632)</u>	<u>\$(1,548)</u>	<u>\$171,492</u>
		Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
July 30, 2016 (26 weeks)	Note					
Balance, January 31, 2016		\$195,744	\$ 9	\$ (3,478)	\$ —	\$192,275
Net loss		—	—	(14,912)	—	(14,912)
Issuance of shares	10	250	—	—	—	250
Share-based compensation	5	—	219	—	—	219
Balance, July 30, 2016		<u>\$195,994</u>	<u>\$228</u>	<u>\$(18,390)</u>	<u>\$ —</u>	<u>\$177,832</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (8,339)	\$(14,912)
Items not involving cash:		
Depreciation and amortization	5,342	4,663
Share-based compensation expense	195	219
Deferred lease costs	424	820
Amortization of lease intangibles	509	631
Interest expense	2,980	3,042
Income taxes recovery	(2,884)	(6,132)
Interest paid	(2,639)	(2,741)
Taxes paid	(219)	(141)
Change in non-cash operating working capital:		
Accounts receivable	(3,331)	(797)
Inventories	(12,539)	(4,721)
Prepaid expenses	200	(1,403)
Accounts payable and accrued liabilities	4,179	6,284
Deferred revenue	(411)	(531)
	(16,533)	(15,719)
Financing activities:		
Issuance of long-term debt under revolving credit loan	21,000	11,000
Long-term debt financing costs	(466)	—
Repayment of term loan long-term debt	(5,775)	(2,775)
Issuance of common shares	—	250
Distributions paid	(20,000)	—
	(5,241)	8,475
Investing activities:		
Additions to fixed assets	(5,078)	(4,226)
Tenant allowance received	627	(1)
	(4,451)	(4,227)
Decrease in cash	(26,225)	(11,471)
Cash and restricted cash, beginning of period	25,257	11,151
Cash and bank indebtedness, end of period	<u>\$ (968)</u>	<u>\$ (320)</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

Roots Corporation was incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its registered office is located at 1400 Castlefield Avenue, Toronto, Ontario, M6B 4C4. Roots Corporation and its subsidiaries are, together, referred to in these unaudited interim condensed consolidated financial statements ("interim financial statements") as the "Company" or "Roots Corporation".

The Company is an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear.

The Company has corporate retail store locations in Canada and the United States and Partner operated retail store locations in China and Taiwan.

1. Basis of preparation:

(a) Statement of compliance:

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the accounting policies described in the Company's audited consolidated financial statements as at and for the 52 week period ended January 28, 2017 ("annual financial statements"), except for the new standards adopted during the 26 week period ended July 29, 2017, as described below. They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These interim financial statements were authorized for issue by the Company's Board of Directors on .

(b) Basis of measurement:

The interim financial statements were prepared on a historical cost basis, except for the derivative financial instruments and share-based compensation, which are measured at fair value.

(c) Use of estimates and judgments:

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

2. Significant accounting policies:

Except as described below, the significant accounting policies as disclosed in the annual financial statements have been applied consistently in the preparation of these interim financial statements:

(a) Disclosure initiative (amendments to IAS 7 & IAS 12):

In January 2016, the IASB issued amendments to IAS 7, Statements of Cash Flows, which requires specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments are applicable for annual periods beginning on or after January 1, 2017. The Company adopted these amendments and included additional disclosures in note 9 to these interim financial statements.

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting year, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Company adopted the amendments to IAS 12 in these interim financial statements with no material impacts.

(b) Financial instruments – hedging relationships:

The Company enters into foreign currency forward contracts ("forward contracts") under a cash flow hedge for its foreign currency exposures on a portion of its purchases in U.S. dollars. 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 the cash flow hedges.

For a cash flow hedge 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 relationships and recorded in other comprehensive income as a cost of hedging and presented separately.

The forward contracts used for hedging are recognized at fair value. Subsequent to initial recognition, the forward 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 changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income, net of deferred taxes. When the Company purchases the hedged inventories, the amounts are reclassified from accumulated other comprehensive income to cost of purchases. Any ineffective portion of changes in the fair value of the forward 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.

(c) New standards and interpretations not yet adopted:

In 2014, the IASB issued IFRS 15, replacing IAS 18, Revenue; IAS 11, Construction Contracts; and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2016, the IASB issued IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration, in response to diversity in practice in determining the appropriate exchange rate to use when translating assets, expenses or income, when foreign currency consideration is paid or received in advance of the item to which it relates. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments with a mandatory effective date of January 1, 2019. While IAS 12 provides requirements on the recognition and measurement of current and deferred tax liabilities and assets, there is diversity in the accounting for income tax treatments that have yet to be accepted by tax authorities.

The Interpretation requires an entity to:

- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
- reassess the judgements and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and
- consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019 and may be applied on a fully retrospective basis, if this is possible without the use of hindsight, or on a modified retrospective basis, with an adjustment to equity on initial application. Earlier application is permitted. The Company is currently assessing the impact of the new standard on its 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 e-commerce.
- (b) The Partners and Other segment consists primarily of the wholesale of Roots-branded products to international partners and the royalties earned on the retail sales of Roots-branded products by the partners. The Partners and Other segment also consists of royalties earned through the licensing of the 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 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:

	July 29, 2017 (13 weeks)			July 30, 2016 (13 weeks)		
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	\$46,638	\$11,477	\$ 58,115	\$37,244	\$ 9,344	\$ 46,588
Cost of goods sold	19,241	7,870	27,111	17,312	6,114	23,426
Gross profit	\$27,397	\$ 3,607	31,004	\$19,932	\$ 3,230	23,162
Selling, general and administrative expenses ¹	—	—	33,775	—	—	28,748
Loss before the under-noted	—	—	(2,771)	—	—	(5,586)
Interest expense ¹	—	—	1,592	—	—	1,416
Loss before income taxes	\$ —	\$ —	\$ (4,363)	\$ —	\$ —	\$ (7,002)

	July 29, 2017 (26 weeks)			July 30, 2016 (26 weeks)		
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	\$87,150	\$19,196	\$106,346	\$74,783	\$16,547	\$ 91,330
Cost of goods sold	36,917	12,467	49,384	39,612	10,459	50,071
Gross profit	50,233	6,729	56,962	35,171	6,088	41,259
Selling, general and administrative expenses ¹	—	—	65,205	—	—	59,261
Loss before the under-noted	—	—	(8,243)	—	—	(18,002)
Interest expense ¹	—	—	2,980	—	—	3,042
Loss before income taxes	\$ —	\$ —	\$ (11,223)	\$ —	\$ —	\$ (21,044)

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

4. Earnings per share:

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

	July 29, 2017 (13 weeks)	July 30, 2016 (13 weeks)	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
Weighted average common shares outstanding	195,993,937	195,993,937	195,993,937	195,904,651
Impact of share-based compensation	—	—	—	—
Diluted weighted average common shares outstanding	195,993,937	195,993,937	195,993,937	195,904,651
Net loss	\$ (3,226)	\$ (4,962)	\$ (8,339)	\$ (14,912)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.08)

For the 13 and 26 week periods ended July 29, 2017 and July 30, 2016, 7,829,757 and 7,366,707 performance-based options, respectively, were not included in the calculation of basic or diluted EPS as the conditions required to convert these options to shares were not met. See note 5 for more information on these options.

For the 13 and 26 week periods ended July 29, 2017 and July 30, 2016, 6,239,878 and 3,157,160 options, respectively, and 74,627 restricted share units ("RSUs") were not included in the calculation of diluted net earnings per share as they were anti-dilutive.

5. Share-based compensation:

The Company maintains a stock option plan (the "Plan") entitling certain key management personnel to purchase Class C common shares of the Company. The Plan entitles such personnel to both time-based options and performance-based options. Time-based options vest over a period of up to 5 years. The performance-based options vest and are exercisable upon realization events based upon the majority shareholders' achievement of certain internal rates of return. The awards have a contractual life of 10 years. The maximum number of shares that may be reserved towards options under the Plan is 12,244,365 Class C common shares of the Company.

On June 7, 2017, the Company adopted a new employee option plan ("Option Plan") and amended and restated the Plan to a new equity incentive plan ("Incentive Plan").

The Option Plan entitles eligible personnel to time-based options which commence vesting on the earlier of the 8th anniversary of the grant date and the 1st anniversary of a public sale and vest over a three-year period. The options have a contractual life of 11 years. The maximum number of shares that may be reserved towards options under the Option Plan is 2,475,000 Class C common shares of the Company.

The Incentive Plan provides eligible personnel with RSUs towards Class C common shares of the Company. The fair value of the RSUs is measured at grant date based on the market value of the Company's Class C common shares. The grant date fair value of the RSUs is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the eligible personnel unconditionally become entitled to the RSUs. The amount recognized as an expense is adjusted to reflect the number of units for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of units that meet the related service conditions at the vesting date. RSUs issued by the Company are settled in Class C common shares and are accounted for as equity-settled awards. The maximum number of shares that may be reserved towards RSUs under the Incentive Plan is 1,000,000 Class C common shares of the Company.

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

	July 29, 2017 (13 weeks)		July 30, 2016 (13 weeks)		July 29, 2017 (26 weeks)		July 30, 2016 (26 weeks)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding options, beginning period	11,744,635	\$1.02	11,050,060	\$1.01	11,744,635	\$1.02	3,157,160	\$1.00
Granted	2,325,000	1.34	—	—	2,325,000	1.34	7,892,900	1.02
Outstanding options, end of period	14,069,635	1.07	11,050,060	1.01	14,069,635	1.07	11,050,060	1.01

As at July 29, 2017 and July 30, 2016, the Company had 736,671 and nil exercisable stock options, respectively, with exercise prices ranging from \$1.00 – \$1.34 and \$1.00 – \$1.10, respectively.

On June 7, 2017, the Company granted 74,627 RSUs under the Incentive Plan.

The fair value of the time-based options are estimated at grant date using the Black Scholes model with the following assumptions used:

	July 29, 2017 (13 and 26 weeks)	July 30, 2016 (13 and 26 weeks)
Expected volatility	40%	32% – 35%
Share price at grant date	\$ 1.34	\$ 1.00 – \$1.10
Exercise price	\$ 1.34	\$ 1.00 – \$1.10
Risk-free interest rate	1.36% – 1.44%	0.6% – 1.3%
Expected term	9.5 – 10.5 years	5.5 years
Fair value per option	\$ 0.66 – \$0.70	\$0.16 – \$0.39

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry. The expected life estimate was determined by management based on a number of factors including vesting terms, expected behaviour and the contractual term of the options.

Total compensation expense for the 13 and 26 week period ended July 29, 2017 was \$93 (2016 – \$127) and \$195 (2016 – \$219), respectively, which was recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus.

6. Income taxes:

Income taxes recovery for the 13 and 26 week period ended July 29, 2017 was \$1,137 (2016 – \$2,040) and \$2,884 (2016 – \$6,132), respectively, resulting in an effective income taxes recovery rate of 26.1% (2016 – 29.1%) and 25.7% (2016 – 29.1%) for the 13 and 26 week period ended July 29, 2017, respectively. The decrease in the effective tax rate compared to the second quarter of 2016 was primarily attributable to non-deductible expenses incurred.

7. Financial instruments:

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 instruments.

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

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 rate 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 July 29, 2017 and January 28, 2017.

In 2017, the Company entered into forward contracts to hedge its exposure for a portion of purchases denominated in U.S. dollars. As at July 29, 2017, the Company has outstanding forward contracts to buy U.S. \$31,435 at an average forward rate of \$1.3108. For the 13 and 26 week period ended July 29, 2017, the Company recorded the effective portion of changes in the fair value of the forward contracts in other comprehensive income of \$3,096 (net of tax of \$2,271) and \$2,074 (net of tax of \$1,521), respectively.

8. 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 credit facilities, as described below, allowing it to access funds for operations.

The contractual maturities of the Company's current and long-term financial liabilities as at July 29, 2017, 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						
Bank indebtedness	\$ 1,408	\$ 1,408	\$ 1,408	\$ —	\$ —	\$—
Accounts payable and accrued liabilities . . .	20,469	20,469	20,469	—	—	—
Long-term debt	119,559	122,063	6,244	17,344	98,475	—
Finance lease obligation	1,034	992	357	589	46	—
	<u>\$142,470</u>	<u>\$144,932</u>	<u>\$28,478</u>	<u>\$17,933</u>	<u>\$98,521</u>	<u>\$—</u>

(b) Currency risk:

The Company is exposed to foreign exchange risk on foreign currency denominated financial assets and liabilities. As at July 29, 2017, a five percentage point rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$916 decrease or a \$916 increase, respectively, in the Company's net loss for the 26 week period ended July 29, 2017, as a result of the revaluation on these financial assets and liabilities.

The Company purchases a significant amount of its merchandise with U.S. dollars and enters into forward contracts to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases.

The Company has performed a sensitivity analysis on its forward contracts (designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. As at July 29, 2017, a five percentage point rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$1,948 decrease or a \$1,948 increase, respectively, in the Company's other comprehensive income for the 26 week period ended July 29, 2017.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments:

	Carrying amount	Contractual cash flows	Remaining to maturity			
			Under 1 year	1-3 years	3-5 years	More than 5 years
Derivative financial liabilities						
Forward contracts used for hedging	\$2,111	\$2,121	\$2,121	\$—	\$—	\$—

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact earnings and the carrying amounts of the related hedging instruments:

	Carrying amount	Contractual cash flows	Remaining to maturity			
			Under 1 year	1-3 years	3-5 years	More than 5 years
Derivative financial liabilities						
Forward contracts used for hedging	\$2,111	\$2,121	\$1,780	\$341	\$—	\$—

(c) Interest rate risk:

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under its credit facilities. A one percentage point change in the applicable interest rate would have changed pre-tax net income for the 26 week period ended July 29, 2017 by \$1,221 (July 30, 2016 – \$1,192).

(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 and accounts receivable. The Company limits its exposure to credit risk with respect to cash by dealing with Canadian financial institutions. The Company's accounts receivable consist primarily of receivables from business partners from the Partners and Other operating segment, which are settled within the first quarter of the next fiscal year.

As at July 29, 2017, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Loan receivable	\$ 520
Accounts receivable	8,307
	<u>\$8,827</u>

(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 income before depreciation and amortization, interest expense and income taxes ("EBITDA") as a measure of its ability to service its debt and meet other financial obligations as they become due.

EBITDA is determined as follows:

	July 29, 2017 (13 weeks)	July 30, 2016 (13 weeks)	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
Net loss	\$(3,226)	\$(4,962)	\$(8,339)	\$(14,912)
Add:				
Interest expense	1,592	1,416	2,980	3,042
Income taxes recovery	(1,137)	(2,040)	(2,884)	(6,132)
Depreciation and amortization	2,727	2,295	5,342	4,663
EBITDA	<u>\$ (44)</u>	<u>\$(3,291)</u>	<u>\$(2,901)</u>	<u>\$(13,339)</u>

The Company's credit facilities allow for certain adjustments to EBITDA for purposes of compliance with covenants. As such, Adjusted EBITDA is determined as follows:

	July 29, 2017 (13 weeks)	July 30, 2016 (13 weeks)	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
EBITDA	\$ (44)	\$(3,291)	\$(2,901)	\$(13,339)
Add:				
Transaction costs from business acquisition	—	185	29	299
Amortization of non-cash items from business acquisition	252	316	509	6,406
Other	1,168	1,643	2,025	3,071
Less:				
Deferred lease costs	(26)	—	(44)	—
Adjusted EBITDA	<u>\$1,350</u>	<u>\$(1,147)</u>	<u>\$ (382)</u>	<u>\$(3,563)</u>

The Company has certain key financial and non-financial covenants under its existing banking facilities. The key financial covenant includes a consolidated debt to adjusted EBITDA ratio, total debt to adjusted EBITDA ratio, and fixed charge coverage ratio. As at July 29, 2017, the Company was in compliance with its covenants.

9. Long-term debt:

On December 1, 2015, the Company entered into a secured credit agreement with a syndicate of lenders, including The Toronto-Dominion Bank, acting as administrative agent, to provide an initial term loan for an aggregate principal amount not exceeding \$111,000 and a revolving credit loan not exceeding \$25,000, less the aggregate swing line loan of \$5,000.

Interest on these facilities is based on U.S. base rate, Canadian prime rate or LIBOR based on the form of borrowing under the terms of the agreement, and an applicable margin that ranges from 1.75% to 4.50%. The facilities are secured by the assets of the Company with a maturity date of December 1, 2020.

On April 19, 2017, the Company amended its existing secured credit agreement with a syndicate of lenders, to increase the availability under the revolving credit loan not exceeding \$50,000, less the aggregate swing line loan of \$10,000. The range for applicable margins on both the revolving credit loan and term loan was amended to 1.75% to 4.25%.

The following table reconciles the changes in cash flows from financing activities for long-term debt for the 26 week period ended July 29, 2017:

	July 29, 2017 (26 weeks)
Long-term debt, beginning of period	\$104,459
Long-term debt issuances under revolving credit loan	21,000
Long-term debt repayments of term loan	(5,775)
Long-term debt financing costs	(466)
Total cash flow from long-term debt financing activities	14,759
Amortization of long-term debt costs	341
Total non-cash long-term debt activity	341
Total long-term debt, end of period	<u>\$119,559</u>

10. Related party transactions:

The Company's related parties include key management personnel and the shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight Capital") beneficially own approximately 79.4% of the total outstanding shares of the Company. Key management personnel own approximately 0.6% of the total outstanding shares of the Company. The remaining 20% of the Company is held by the shareholders of a company formally known as Roots Canada Ltd. through their wholly-owned entities (the "Founders"). All transactions as described below are in the normal course of business and have been accounted for at their exchange value.

The Company incurred the following costs in connection with transactions entered into with related parties:

	July 29, 2017 (13 weeks)	July 30, 2016 (13 weeks)	July 29, 2017 (26 weeks)	July 30, 2016 (26 weeks)
Rent	\$196	\$193	\$393	\$408
Consulting fees	100	150	200	300
Reimbursements	13	35	19	109
Monitoring fees	506	500	506	500

In April 2016, the Company issued 250,000 Class A common shares to a member of the Company's executive team.

In February 2016, a member of the Company's executive team purchased 1,000,000 Class A common shares from investment funds managed by Searchlight Capital at a price of \$1 per share. The purchase was paid for using \$500 in cash and a \$500 loan from the Company. The \$500 loan from the Company is to be repaid at the earlier of six years from the loan date and upon a liquidity sale of the Company. Interest accrues at a rate of 4% per annum and will be payable at the start of each calendar year following the date of the loan. Unpaid interest may be deemed paid by increasing the principal amount outstanding. As at July 29, 2017, the outstanding balance on the loan was \$520.

11. Subsequent events:

On September 6, 2017, the Company entered into a second amendment to its credit agreement to extend the maturity date to the fifth anniversary of the new effective date. The range for applicable margins on both the revolving credit loan and term loan was amended to 1.00% to 3.25%.

Consolidated Financial Statements
(In Canadian dollars)

ROOTS CORPORATION

For the 52 week period ended January 28, 2017 and
the period from October 14, 2015 to January 30, 2016



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ROOTS CORPORATION

We have audited the accompanying consolidated financial statements of Roots Corporation, which comprise the consolidated statement of financial position as at January 28, 2017 and January 30, 2016, the consolidated statements of net income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the 52 week period ended January 28, 2017 and the period from October 14, 2015 to January 30, 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Roots Corporation as at January 28, 2017, and its consolidated financial performance and its consolidated cash flows for the 52 week period then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

, 2017
Vaughan, Canada

ROOTS CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of Canadian dollars, except per share amounts)
As at January 28, 2017 and January 30, 2016

	Note	January 28, 2017	January 30, 2016
Assets			
Current assets:			
Cash		\$ 25,257	\$ 8,481
Accounts receivable		4,946	6,010
Inventories	5	32,682	38,418
Prepaid expenses		1,573	1,494
Total current assets		64,458	54,403
Non-current assets:			
Restricted cash		—	2,670
Loan receivable	17	520	—
Fixed assets	6	31,219	24,776
Intangible assets	7	208,541	214,107
Goodwill	8	52,705	47,421
Deferred lease costs		—	231
Total non-current assets		292,985	289,205
Total assets		<u>\$357,443</u>	<u>\$343,608</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 16,448	\$ 18,294
Deferred revenue		3,840	3,416
Income taxes payable	14	5,536	1,927
Current portion of long-term debt	10	5,550	4,163
Total current liabilities		31,374	27,800
Non-current liabilities:			
Deferred tax liabilities	14	21,248	17,122
Deferred lease costs		2,154	—
Finance lease obligation		456	—
Long-term debt	10	98,909	103,856
Other non-current liabilities	7	2,118	2,555
Total non-current liabilities		124,885	123,533
Total liabilities		156,259	151,333
Shareholders' equity:			
Common shares	11	195,994	195,744
Contributed surplus	12	483	9
Retained earnings (deficit)		4,707	(3,478)
Total shareholders' equity		201,184	192,275
Total liabilities and shareholders' equity		<u>\$357,443</u>	<u>\$343,608</u>
Commitments and contingencies	15		
Subsequent events	18		

On behalf of the Board:

Director

Director

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

CONSOLIDATED STATEMENT OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars, except per share amounts)

For the 52 week period ended January 28, 2017 and the period from October 14, 2015
(date of incorporation) to January 30, 2016

	Note	January 28, 2017	January 30, 2016
Sales		\$281,886	\$61,401
Cost of goods sold	5	134,733	38,796
Gross profit		147,153	22,605
Selling, general and administrative expenses		129,490	25,737
Income (loss) before the under-noted		17,663	(3,132)
Interest expense	10	6,112	1,256
Income (loss) before income taxes		11,551	(4,388)
Income taxes expense (recovery)	14	3,366	(910)
Net income (loss) and comprehensive income (loss)		\$ 8,185	\$ (3,478)
Basic and diluted earnings (loss) per share	11	\$ 0.04	\$ (0.02)

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars, except per share amounts)

For the 52 week period ended January 28, 2017 and the period from October 14, 2015
(date of incorporation) to January 30, 2016

<u>January 28, 2017</u>	<u>Note</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>
Balance, January 31, 2016		\$195,744	\$ 9	\$(3,478)	\$192,275
Net income and comprehensive income		—	—	8,185	8,185
Issuance of shares	11	250	—	—	250
Share-based compensation	12	—	474	—	474
Balance, January 28, 2017		<u>\$195,994</u>	<u>\$483</u>	<u>\$ 4,707</u>	<u>\$201,184</u>
<u>January 30, 2016</u>	<u>Note</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance, October 14, 2015		\$ —	\$ —	\$ —	\$ —
Net loss and comprehensive loss		—	—	(3,478)	(3,478)
Issuance of shares	11	195,744	—	—	195,744
Share-based compensation	12	—	9	—	9
Balance, January 30, 2016		<u>\$195,744</u>	<u>\$ 9</u>	<u>\$(3,478)</u>	<u>\$192,275</u>

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Canadian dollars, except per share amounts)

For the 52 week period ended January 28, 2017 and the period from October 14, 2015
(date of incorporation) to January 30, 2016

	January 28, 2017	January 30, 2016
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 8,185	\$ (3,478)
Items not involving cash:		
Depreciation and amortization	9,803	1,687
Share-based compensation expense	474	9
Impairment of fixed assets	987	—
Deferred lease costs	1,622	(231)
Amortization of lease intangibles	1,321	217
Interest expense	6,112	1,256
Income taxes expense (recovery)	3,366	(910)
Interest paid	(5,528)	(981)
Taxes paid	(513)	—
Change in non-cash operating working capital:		
Accounts receivable	564	(1,929)
Inventories	5,736	24,167
Prepaid expenses	(81)	363
Accounts payable and accrued liabilities	(2,404)	(9,608)
Deferred revenue	424	1,327
	30,068	11,889
Financing activities:		
Issuance of long-term debt, net of financing costs	—	113,320
Repayment of long-term debt	(4,163)	(5,555)
Issuance of common shares	250	156,595
	(3,913)	264,360
Investing activities:		
Additions to fixed assets	(12,813)	(1,599)
Tenant allowance received	764	—
Business acquisition, net of cash	—	(263,499)
	(12,049)	(265,098)
Increase in cash and restricted cash	14,106	11,151
Cash and restricted cash, beginning of period	11,151	—
Cash and restricted cash, end of period	<u>\$ 25,257</u>	<u>\$ 11,151</u>

See accompanying notes to consolidated financial statements.

ROOTS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Canadian dollars, except per share amounts)

For the 52 week period ended January 28, 2017 and the period from October 14, 2015
(date of incorporation) to January 30, 2016

Roots Corporation was incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its registered office is located at 1400 Castlefield Avenue, Toronto, Ontario M6B 4C4. Roots Corporation and its subsidiaries are, together, referred to in these consolidated financial statements as the "Company" or "Roots Corporation".

The Company is an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear.

The Company has corporate retail store locations in Canada and the United States and Partner operated retail store locations in China and Taiwan.

1. Basis of preparation:

(a) Fiscal period:

The fiscal year of the Company consists of a 52 or 53 week period ending near the last Saturday in January of each year. The current fiscal period for the consolidated financial statements contains 52 weeks. As described in note 3, on December 1, 2015, the Company acquired certain assets and assumed certain liabilities of Roots Canada Ltd. and continued its operations. Accordingly, the financial information in the comparative period represents the results of operations for the period from December 1, 2015 to January 30, 2016, as the Company had no operations from October 14, 2015 (date of incorporation) to December 1, 2015 (date of acquisition).

(b) Statement of compliance:

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on , 2017.

(c) Basis of measurement:

The consolidated financial statements were prepared on a historical cost basis, except for the net assets acquired on the business combination, which are stated at fair value at the date of acquisition, and share-based compensation stated at fair value at the grant date.

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

(d) Functional currency:

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

(e) Basis of consolidation:

These consolidated financial statements include the accounts of Roots Corporation and its wholly-owned subsidiaries, Roots USA Corporation, Roots International ULC and Roots Leasing 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 entities have been eliminated on consolidation.

(f) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, 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 year in which the estimates are revised and in any future years affected.

(i) Inventory valuation:

Merchandise inventories are valued at the lower of average cost, using the retail method, 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 judgment in determining the grouping of assets to identify their cash generating units ("CGUs") for the purpose of testing store related fixed assets. Judgment 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 each store location is a separate CGU for the purpose of fixed 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 the lowest level where cash inflows are generated. In addition, judgment 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 value in use and the fair value less costs to sell, of a CGU or a group of CGUs, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

(iii) Share-based compensation:

The Company measures the cost 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 ("gift card breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift card is issued.

2. Significant accounting policies:

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

(a) Business combinations:

Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

(b) 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. Other non-monetary consolidated statement of financial position items 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 rates of exchange prevailing during the period. The resulting gains or losses on translation are included in the determination of net income (loss) for the period and comprehensive income (loss).

(c) Revenue recognition:

Revenue includes sales to customers through retail stores operated by the Company and through e-commerce. Sales to customers through retail stores are recognized at the time of purchase, net of a provision for returns. E-commerce sales to customers are recognized at the time of delivery, net of a provision for returns.

Revenue also includes sales to customers through the Company's international partner and wholesale divisions, which are recognized at the time of shipment.

Royalty revenue is included in sales and is recognized on an accrual basis in accordance with the various contractual agreements and when collectability is reasonably determined.

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 to gift cards is recorded as deferred revenue on the consolidated statement of financial position.

(d) Inventories:

Merchandise inventories are valued at the lower of average cost using the retail method and net realizable value. 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. Cost of raw materials is determined on a first-in, first-out basis.

Work in progress is recorded at the lower of average cost 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.

(e) 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 parts 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 comprehensive income (loss), on a diminishing-balance 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 on a diminishing-balance basis over their estimated useful lives for the current period as follows:

Asset	Basis	Rate
Computer hardware	Diminishing-balance	20%
Furniture and fixtures	Diminishing-balance	20%
Manufacturing equipment	Diminishing-balance	10%
Computer software	Straight line	3 – 5 years
Leasehold improvements	Straight line	Term of lease to a maximum of 10 years

(f) 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 relating to license agreements and customer relationships is recognized in selling, general and administrative expenses in the consolidated statement of net income (loss) and comprehensive income (loss). Amortization relating to favourable/unfavourable lease agreements is recorded in selling, general and administrative expenses. The estimated useful lives for the current period is as follows:

License agreements	4 – 13 years
Customer relationships	10 years
Leases	Life of the lease
Trade names	Indefinite life
Goodwill	Indefinite life

Amortization methods, useful lives and residual value 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.

(g) 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 affects the Company.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 recoverable amount is the greater of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU).

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 indications 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.

(h) Leased assets:

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. Payments under an operating lease are recognized in selling, general and administrative expenses on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent, which is included in deferred lease costs on the consolidated statement of financial position.

Tenant allowances are recorded as deferred lease costs and amortized as a reduction of rent expense over the term of the related leases. As at January 28, 2017, all of the Company's leases on premises were accounted for as operating leases.

(i) Income taxes:

Income taxes expense comprises current and deferred 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 (loss).

Current income tax is the expected tax payable or receivable on the taxable income or net income (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, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred 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.

(j) 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.

(k) Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company and the weighted average number of common shares outstanding, adjusted for own shares held, plus the weighted average number of common shares that would be issued on exercise of share options granted to employees.

(l) Financial instruments:

The Company early adopted all of the requirements of IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)"), with a date of initial application of October 14, 2015. This standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard also incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in International Accounting Standard ("IAS") 39, Financial instruments – Recognition and Measurement. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

Financial assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method and net of any impairment losses.

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of financial position if they relate to a financial asset measured at amortized cost. The Company's accounts receivable are typically short-term receivables with payments received within a 12-month period and do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

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 has classified its financial assets and financial liabilities as follows:

	Classification	Measurement
Financial assets:		
Cash and restricted cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Finance lease obligation	Other liabilities	Amortized cost

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.

(m) New standards and interpretations not yet adopted:

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 15, replacing IAS 18, Revenue; IAS 11, Construction Contracts; and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from

contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

As part of their disclosure initiative, the IASB has issued amendments to IAS 7, Statement of Cash Flows ("IAS 7"), requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a company. The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on January 29, 2017. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 29, 2017. The extent of the impact of adoption of the amendments is not expected to be material to the consolidated financial statements.

3. Business acquisition:

On December 1, 2015, the Company acquired certain assets and assumed certain liabilities of Roots Canada Ltd. relating to their retail, wholesale and manufacturing operations for total consideration of \$302,739, comprised of \$263,590 cash and the issuance of 39,148,787 Class B common shares of the Company.

The acquisition gives the Company the ability to continue the operations primarily owned by Roots Canada Ltd., including acquiring the various trademarks, brand names and license arrangements.

In the fourth quarter of 2016, the Company finalized the purchase price allocation and revised its fair value estimate of certain acquired assets and assumed liabilities. The result increased inventories by \$46 to \$62,631, increased accounts payable and accrued liabilities by \$313 to \$28,193, increased deferred revenue by \$115 to \$2,203, increased deferred tax liabilities by \$4,902 to \$24,862, and increased goodwill by \$5,284 to \$52,705.

The finalized purchase price allocation to net identifiable assets is summarized as follows:

Net identifiable assets acquired:	
Cash float	\$ 91
Accounts receivable	4,081
Inventories	62,631
Prepaid expenses	1,857
Fixed assets (note 6)	24,238
Intangible assets (note 7)	212,394
Accounts payable and accrued liabilities	(28,193)
Deferred tax liabilities	(24,862)
Deferred revenue	(2,203)
Total net identifiable assets acquired	<u>\$250,034</u>

Goodwill:

Goodwill was recognized as a result of the acquisition as follows:

Total consideration transferred	\$302,739
Less value of net identifiable assets	<u>250,034</u>
Goodwill	<u>\$ 52,705</u>

The goodwill is attributable mainly to the skills and technical talent of the workforce acquired.

Intangible assets comprise the following:

Trade names	\$175,044
Licensing agreements	25,910
Customer relationships	7,766
Favourable/unfavourable lease agreements	3,674
	<u>\$212,394</u>

The Company incurred costs of \$7,523 related to the acquisition of Roots Canada Ltd. Of this amount, \$4,019 was recorded in selling, general and administrative expenses and \$3,235 was related to the financing costs associated with the credit facilities referred to in note 10 "Long-term Debt".

4. Segment information:

The Company has two reportable operating segments:

- (a) The Direct-to-Consumer segment comprises sales through corporate retail stores and e-commerce.
- (b) The Partners and Other segment consists primarily of the wholesale of Roots-branded products to international partners and the royalties earned on the retail sales of Roots-branded products by the partners. The Partners and Other segment also consists of royalties earned through the licensing of the 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 summary of significant accounting policies. 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 28, 2017			January 30, 2016		
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	\$244,353	\$37,533	\$281,886	\$55,780	\$5,621	\$61,401
Cost of goods sold	110,135	24,598	134,733	35,709	3,087	38,796
Gross profit	134,218	12,935	147,153	20,071	2,534	22,605
Selling, general and administrative expenses ¹	—	—	129,490	—	—	25,737
Income (loss) before the under-noted	—	—	17,663	—	—	(3,132)
Interest expense ¹	—	—	6,112	—	—	1,256
Income (loss) before income taxes	\$ —	\$ —	\$ 11,551	\$ —	\$ —	\$ (4,388)

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

5. Inventories:

	January 28, 2017	January 30, 2016
Raw materials	\$ 4,648	\$ 4,146
Work in progress	3,068	3,703
Finished goods	24,966	30,569
	<u>\$32,682</u>	<u>\$38,418</u>

In connection with the acquisition of certain assets and assumption of certain liabilities of Roots Canada Ltd., the acquired inventories included a fair value adjustment of \$16,819, representing the difference between the cost of inventory and its fair value. Of this amount, \$5,775 (January 30, 2016 – \$11,044) was recognized in cost of goods sold for the 52 week period ended January 28, 2017.

The cost of merchandise inventories recognized as an expense and included in cost of goods sold for the 52 week period ended January 28, 2017 was \$130,490 (January 30, 2016 – \$37,969), including the fair value impact described above. Cost includes cost to purchase inventory plus freight, import taxes and duties.

For inventories recorded at January 28, 2017 and January 30, 2016, the Company recorded no write-down of inventories below cost to net realizable value.

6. Fixed assets:

	Computer hardware	Furniture and fixtures	Manufacturing equipment	Computer software	Leasehold improvements	Finance leases	Total
Cost							
Balance, October 14, 2015	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Business acquisition	846	2,610	573	2,497	17,712	—	24,238
Additions	54	138	10	871	526	—	1,599
Disposals/adjustments	—	(16)	—	—	(716)	—	(732)
Balance, January 30, 2016	900	2,732	583	3,368	17,522	—	25,105
Additions	490	905	27	2,802	8,589	612	13,425
Disposals/adjustments	—	(45)	—	—	(948)	—	(993)
Balance, January 28, 2017	<u>\$1,390</u>	<u>\$3,592</u>	<u>\$610</u>	<u>\$6,170</u>	<u>\$25,163</u>	<u>\$612</u>	<u>\$37,537</u>
Accumulated depreciation and impairment losses							
Balance, October 14, 2015	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation	46	98	11	116	790	—	1,061
Disposals/adjustments	—	(16)	—	—	(716)	—	(732)
Balance, January 30, 2016	46	82	11	116	74	—	329
Depreciation	197	549	68	1,048	4,133	—	5,995
Disposals/adjustments	—	(45)	—	—	(948)	—	(993)
Fixed asset impairment	—	—	—	—	987	—	987
Balance, January 28, 2017	<u>\$ 243</u>	<u>\$ 586</u>	<u>\$ 79</u>	<u>\$1,164</u>	<u>\$ 4,246</u>	<u>\$ —</u>	<u>\$ 6,318</u>
Carrying amount							
January 28, 2017	\$1,147	\$3,006	\$531	\$5,006	\$20,917	\$612	\$31,219
January 30, 2016	854	2,650	572	3,252	17,448	—	24,776

For the 52 week period ended January 28, 2017, the Company recorded \$987 (January 30, 2016 – nil) of impairment losses on fixed assets in respect of nine CGUs (January 30, 2016 – nil) in the Direct-to-Consumer operating segment. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value-in-use. The impairment loss was based on the carrying value of the CGU's being greater than their value-in-use.

For the 52 week period ended January 28, 2017, the Company had no impairment reversals on fixed assets (January 30, 2016 – nil).

When determining the value-in-use of a retail location, 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 useful life of the significant assets within the CGU or the remaining lease term. Sales forecasts for cash flows are based on actual operating results, operating budgets, and long-term growth rates consistent with the Company's strategic plan approved by the Board. The estimate of the value-in-use of the relevant CGUs was determined using a pre-tax discount rate of 15% at January 28, 2017.

7. Intangible assets, other non-current liabilities and goodwill:

Definite-life intangible assets:

	Trade names	Licensing arrangements	Customer relationships	Favourable lease agreements	Total
Cost					
Balance, October 14, 2015	\$ —	\$ —	\$ —	\$ —	\$ —
Business acquisition	175,044	25,910	7,766	6,310	215,030
Balance, January 30, 2016	175,044	25,910	7,766	6,310	215,030
Balance, January 28, 2017	<u>\$175,044</u>	<u>\$25,910</u>	<u>\$7,766</u>	<u>\$6,310</u>	<u>\$215,030</u>
Accumulated amortization and impairment losses					
Balance, October 14, 2015	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization	—	498	128	297	923
Balance, January 30, 2016	—	498	128	297	923
Amortization	—	3,032	776	1,758	5,566
Balance, January 28, 2017	<u>\$ —</u>	<u>\$ 3,530</u>	<u>\$ 904</u>	<u>\$2,055</u>	<u>\$ 6,489</u>
Carrying amount					
January 28, 2017	\$175,044	\$22,380	\$6,862	\$4,255	\$208,541
January 30, 2016	175,044	25,412	7,638	6,013	214,107

Other non-current liabilities:

	Unfavourable lease agreements
Cost	
Balance, January 30, 2016	\$2,636
Balance, January 28, 2017	<u>\$2,636</u>
Accumulated amortization and impairment losses	
Balance, January 30, 2016	\$ 81
Amortization	<u>437</u>
Balance, January 28, 2017	<u>\$ 518</u>
Carrying amount	
January 28, 2017	\$2,118
January 30, 2016	2,555

Amortization expenses, impairment losses and reversals are recorded in depreciation and amortization as part of selling, general and administrative expenses in the consolidated statement of net income (loss) and comprehensive income (loss) in the period in which they occur. No impairment losses or reversals were recognized on intangible assets for the 52 week period ended January 28, 2017.

Amortization expense on definite life intangibles of \$5,129 (January 30, 2016 – \$843) has been recognized in the consolidated statement of net income (loss) and comprehensive income (loss).

8. Goodwill:

The Company performs an annual impairment assessment on goodwill by comparing the carrying value of assets within each CGU group to the recoverable amount of the CGU group.

For the purpose of impairment testing, goodwill is 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:

Direct-to-Consumer	\$44,799
Partners and Other	<u>7,906</u>
Total carrying amount of goodwill	<u>\$52,705</u>

The Company completed its annual impairment tests for goodwill and concluded that the fair value less costs to sell exceeded the carrying amount for both CGUs.

The key assumptions used to calculate the fair value less costs to sell are those regarding discount rates, growth rates, and expected improvement in margins.

The after tax discount rate was determined to be 13% and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of the Company. The pre-tax discount rate was 17%.

The Company included a minimum of five years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the five-year period using an estimated terminal growth rate of 2%. The budgeted earnings before depreciation and amortization, interest expense and income taxes ("EBITDA") growth is based on the Company's strategic plan approved by the Board.

9. Financial instruments:

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

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

10. Long-term debt:

On December 1, 2015, the Company entered into a secured credit agreement with a syndicate of lenders, including The Toronto-Dominion Bank, acting as administrative agent, to provide an initial term loan for an aggregate principal amount not exceeding \$111,000, a revolving credit loan not exceeding \$25,000, less the aggregate swing line loan of \$5,000.

Interest on these facilities is based on U.S. base rate, Canadian prime rate or LIBOR based on the form of borrowing under the terms of the agreement, and an applicable margin that ranges from 1.75% to 4.50%. The facilities are secured by the assets of the Company with a maturity date of December 1, 2020.

As at January 28, 2017, the Company had outstanding amounts drawn against the term loan of \$106,837 (January 30, 2016 – \$111,000).

Costs associated with obtaining this credit facility were \$3,235, of which \$603 (January 30, 2016 – \$254) was recognized in interest expense during the 52 week period ended January 28, 2017.

As at January 28, 2017, principal repayments on long-term debt are as follows:

	Term loan
Within 1 year	\$ 5,550
Within 1 – 2 years	7,631
Within 2 – 3 years	8,325
Within 3 – 4 years	10,406
Within 4 – 5 years	74,925
Total	<u>\$106,837</u>

Interest on long-term debt amounted to \$5,381 (January 30, 2016 – \$978).

At period end, the Company had outstanding letters of credit of U.S. \$27 (January 30, 2016 – U.S. \$2,368) (Cdn. \$36) (January 30, 2016 – Cdn. \$3,316) relating to purchases from foreign suppliers.

11. Share capital and earnings per share:

As at January 28, 2017, the Company's issued share capital comprises 156,845,150 Class A common shares, 39,148,787 Class B common shares and no Class C common shares. All issued shares are fully paid. The Company is authorized to issue an unlimited amount of Class A, Class B and Class C common shares.

The holders of Class A, Class B and Class C common shares are entitled to receive distributions as declared from time to time by the Board. Class A shareholders are entitled to one vote per share at meetings of the Company. Class B shareholders are entitled to one vote per share, provided that in no case shall the aggregate votes attached to all Class B common shares, as a group, exceed 15% of the votes cast. Class C shareholders have no voting rights. Class B and Class C common shares are automatically convertible into Class A common shares upon a Public Sale or Liquidity Sale of the Company (a "realization event").

Earnings per share information:

	January 28, 2017	January 30, 2016
Weighted average Class A and Class B common shares outstanding	195,949,294	195,743,937
Stock options	257,663	—
Dilutive weighted average Class A and Class B common shares outstanding	<u>196,206,957</u>	<u>195,743,937</u>
	January 28, 2017	January 30, 2016
Net income (loss)	<u>\$8,185</u>	<u>\$(3,478)</u>
Basic and diluted earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.02)</u>

For the 52 week period ended January 28, 2017, 7,829,757 (January 30, 2016 – 2,104,773) of performance-based options, were not included in the calculation of basic or diluted earnings per share as the conditions required to convert these options to shares were not met. See note 12 for more information on these options.

12. Share-based compensation:

The Company maintains a stock option plan (the "Plan") entitling certain key management personnel to purchase Class C common shares of the Company. The Plan entitles such personnel to both time-based options and performance-based options. Time-based options vest over a period of up to five years. The performance-based options vest and are exercisable upon realization events based upon the majority shareholders' achievement of certain internal rates of return. The awards have a contractual life of 10 years.

The maximum number of options to purchase shares to be awarded under the Plan is 14,733,715 Class C common shares of the Company.

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

	January 28, 2017		January 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding options, beginning of period	3,157,160	\$1.00	3,157,160	\$1.00
Granted	8,587,475	1.03	—	1.00
Outstanding options, end of period	11,744,635	1.02	3,157,160	1.00

	Outstanding options		Exercisable options	
	Number of unvested options	Weighted average remaining contractual life (years)	Number of exercisable options	Weighted average remaining contractual life (years)
Range of exercise prices				
\$1.00 – \$1.15	11,534,158	9.1	210,477	9.0

The fair value of the time-based options are estimated at the date of grant using the Black Scholes model with the following assumptions used:

Expected volatility	32% – 35%
Share price at grant date	\$1.00
Exercise price	\$1.00 – \$1.15
Risk-free interest rate	0.6% – 1.3%
Expected term	5.5 years

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry. 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.

Total compensation expense for the period is \$474 (January 30, 2016 – \$9) and is recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus.

The fair value of the performance-based awards is determined using acceptable valuation techniques, which are primarily consistent with the income approach for the estimation of equity value of the Company and the binomial lattice method for the valuation of the performance-based awards. These valuation techniques incorporate the Company's discounted cash flow estimates and other key assumptions. Assumptions in estimating discounted cash flows include, among other items, revenue and operating expense growth rates, terminal value growth rate, discount rate, capital expenditures, and working capital levels. These assumptions are consistent with those used in the Company's annual impairment testing. Other key assumptions include, among other items, probability of a realization event and distribution over time, an expected distribution yield of 0%, risk-free discount rate based on a Government of Canada Bond for a period consistent with the expected life of the awards, and a volatility assumption on the historical volatility of comparable companies from a representative peer group selected based on industry.

The fair value of options granted during the period ended January 28, 2017 ranged from \$0.16 – \$0.39 per option.

13. 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 credit facilities, as described in note 10, allowing it to access funds for operations.

The contractual maturities of the Company's current and long-term financial liabilities as at January 28, 2017, excluding interest cash flows are as follows:

	Carrying amount	Contractual cash flows	Remaining to maturity			
			Under 1 year	1 – 3 years	3 – 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 16,448	\$ 16,448	\$16,448	\$ —	\$ —	\$—
Long-term debt	104,459	106,838	5,550	15,956	85,332	—
Finance lease obligation	456	472	—	385	87	—
	<u>\$121,363</u>	<u>\$123,758</u>	<u>\$21,998</u>	<u>\$16,341</u>	<u>\$85,419</u>	<u>\$—</u>

(b) Currency risk:

The Company purchases a significant amount of its merchandise with U.S. dollars and, as such, significant volatility in the U.S. dollar versus the Canadian dollar can have an impact on the Company's gross margin.

(c) Interest rate risk:

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under its credit facilities. A one percentage point change in the applicable interest rate would have increased pre-tax net income (loss) for the period by \$1,068. A weakening of the applicable interest rate as at January 28, 2017 would have had the equal but opposite effect, on the basis that all other variables remain constant.

(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 and restricted cash and accounts receivable. The Company limits its exposure to credit risk with respect to cash and cash equivalents by dealing with Canadian financial institutions. The Company's accounts receivable consist primarily of receivables from business partners from the Partners and Other operating segment, which are settled within the first quarter of the next fiscal year.

As at January 28, 2017, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Loan receivable	\$ 520
Accounts receivable	4,946
	<u>\$5,466</u>

(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.

EBITDA is defined as follows:

	January 28, 2017	January 30, 2016
Net income (loss)	\$ 8,185	\$(3,478)
Add back:		
Interest expense	6,112	1,256
Income taxes expense (recovery)	3,366	(910)
Depreciation and amortization	9,803	1,687
EBITDA	<u>\$27,466</u>	<u>\$(1,445)</u>

The Company's credit facilities allow for certain adjustments to EBITDA for purposes of compliance with covenants. As such, adjusted EBITDA is determined as follows:

	January 28, 2017	January 30, 2016
EBITDA	\$27,466	\$ (1,445)
Add:		
Transaction costs from business acquisition	315	3,704
Amortization of non-cash items from business acquisition	6,912	11,260
Other	6,885	547
Less:		
Deferred lease costs	—	231
Adjusted EBITDA	<u>\$41,578</u>	<u>\$13,835</u>

The Company has certain key financial and non-financial covenants under its existing banking facilities. The key financial covenant includes a consolidated debt to adjusted EBITDA ratio, total debt to adjusted EBITDA ratio, and fixed charge coverage ratio. As at January 28, 2017, the Company was in compliance with its covenants.

14. Income taxes expense (recovery):

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

	January 28, 2017	January 30, 2016
Current income taxes expense	\$4,143	\$ 1,927
Deferred income taxes recovery:		
Origination and reversal of temporary differences	(777)	(2,837)
Total income taxes expense (recovery)	<u>\$3,366</u>	<u>\$ (910)</u>

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

	January 28, 2017	January 30, 2016
Combined basic federal and provincial average statutory rate	26.7%	26.5%
Non-deductible eligible capital balances	2.4%	(5.6)%
Other	—	(0.2)%
Effective tax rate	29.1%	20.7%

Movement in deferred tax liabilities balance:

	As at October 14, 2015	Due to acquisition	Expense (recovery)	As at January 30, 2016
Inventory	\$—	\$ 4,482	\$(2,943)	\$ 1,539
Acquisition costs	—	—	(16)	(16)
Deferred lease costs	—	—	62	62
Fixed assets	—	—	45	45
Intangible assets and goodwill	—	15,477	15	15,492
	<u>\$—</u>	<u>\$19,959</u>	<u>\$(2,837)</u>	<u>\$17,122</u>

	As at January 31, 2016	Measurement adjustment for provisional purchase price adjustment	Expense (recovery)	As at January 28, 2017
Inventory	\$ 1,539	\$ —	\$(1,539)	\$ —
Acquisition costs	(16)	—	(57)	(73)
Deferred lease costs	62	—	(437)	(375)
Fixed assets	45	2,279	(741)	1,583
Intangible assets and goodwill	15,492	2,624	1,997	20,113
	<u>\$17,122</u>	<u>\$4,903</u>	<u>\$ (777)</u>	<u>\$21,248</u>

15. Commitments and contingencies:

(a) Commitments:

The Company leases various store locations, a head office, a distribution warehouse, a manufacturing facility and equipment under non-cancellable operating lease agreements. The leases are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. In addition, the Company leases point-of-sale hardware under non-cancellable financing lease agreements.

The leases have varying terms, escalation clauses and renewal rights. Minimum lease payments are recognized on a straight-line basis. Leases run for varying terms that generally do not exceed 10 years, with options to renew (if any) that do not exceed 5 years. The majority of real estate leases are net leases, which require additional payments for the cost of insurance, taxes, common area maintenance and utilities. Non-cancellable operating lease base rent payments are payable on a calendar year end as follows:

2018	\$ 23,695
2019	21,153
2020	19,223
2021	16,436
2022	13,286
Thereafter	36,338
	<u>\$130,131</u>

(b) Contingencies:

In the course of its business, the Company, from time to time, becomes involved in various claims and legal proceedings. In the opinion of management, all such claims and suits are adequately covered by insurance, or if not so covered, the results are not expected to materially affect the Company's financial position.

16. Personnel expenses:

	January 28, 2017	January 30, 2016
Wages and salaries	\$45,776	\$ 8,096
Benefits and other incentives	9,686	1,987
	<u>\$55,462</u>	<u>\$10,083</u>

17. Related party transactions:

The Company's related parties include key management personnel and the shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight Capital") beneficially own approximately 79.4% of the total outstanding shares of the Company. Key management personnel owns approximately 0.6% of the total outstanding shares of the Company. The remaining 20% of the Company is held by the shareholders of a company formally known as Roots Canada Ltd. through their wholly-owned entities (the "Founders"). All transactions as described below are in the normal course of business and have been accounted for at their exchange value.

(a) Transactions with shareholders:

In 2015, in conjunction with the business acquisition, the Company issued 156,595,150 Class A common shares to investment funds managed by Searchlight Capital at a price of \$1 per share. In addition, the Company issued 39,148,787 Class B common shares to Roots Canada Ltd. and its affiliates.

The Company leases the building for their distribution centre and their manufacturing facility from companies that are under common control of the Founders and are part of the Board. Rent expenses as they relate to the lease of these properties amounted to \$796 for the 52 week period ended January 28, 2017 (January 30, 2016 – \$129). At the end of the period, the Company had outstanding letters of credit of \$410 for companies that are under common control of the Founders and are part of the Board.

In addition, under a consulting agreement between the Company and the Founders, the Founders and their spouses are entitled to consulting fees, clothing allowances and reimbursement for certain travel, meals and phone expenses. Total consulting fees and other reimbursements paid for the 52 week period ended January 28, 2017 amounted to \$715 (January 30, 2016 – \$381).

The Company paid \$1,000 (January 30, 2016 – nil) in monitoring fees to Searchlight Capital. In addition, the Company paid \$60 (January 30, 2016 – nil) to reimburse Searchlight Capital for out-of-pocket expenses incurred during the period in connection with matters relating to the Company.

(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 28, 2017	January 30, 2016
Wages, salaries, benefits, bonus and consulting	\$4,393	\$202
Share-based compensation	474	9
	<u>\$4,867</u>	<u>\$211</u>

In April 2016, the Company issued 250,000 Class A common shares to a member of the Company's executive team.

In February 2016, a member of the Company's executive team purchased 1,000,000 Class A common shares from investment funds managed by Searchlight Capital at a price of \$1 per share. The purchase was paid for using \$500 in cash and a \$500 loan from the Company. The \$500 loan from the Company is to be repaid at the earlier of six years from the loan date and a realization event as described in note 11. Interest accrues at a rate of 4% per annum and will be payable at the start of each calendar year following the date of the loan. Unpaid interest may be deemed paid by increasing the principal amount outstanding. As at January 28, 2017, the outstanding balance on the loan was \$520.

18. Subsequent events:

(a) Distributions:

Subsequent to January 28, 2017, the Board approved the declaration of \$20,000 in distributions to the holders of the Class A and Class B common shares. The distributions will be paid in May 2017.

(b) Debt amendment:

On April 19, 2017, the Company amended its existing secured credit agreement with a syndicate of lenders, to increase the availability under the revolving credit loan not exceeding \$50,000, less the aggregate swing line loan of \$10,000. The range for applicable margins on both the revolving credit loan and term loan was amended to 1.75% to 4.25%.

On September 6, 2017, the Company entered into a second amendment to its credit agreement to extend the maturity date to the fifth anniversary of the new effective date. The range for applicable margins on both the revolving credit loan and term loan was amended to 1.00% to 3.25%.

(c) Stock options:

On June 7, 2017, the Company adopted a new employee option plan ("Option Plan") and amended and restated the Plan to a new equity incentive plan ("Incentive Plan"). The Option Plan entitles eligible personnel to time-based options which commence vesting on the earlier of the 8th anniversary from the grant date and the first anniversary of a public sale and vest over a three-year period. The options have a contractual life of 11 years.

The Incentive Plan provides eligible personnel with restricted share units ("RSUs") towards Class C common shares of the Company. The fair value of the RSUs is measured at grant date based on the market value of the Company's Class C common shares.

The Company granted 2,325,000 stock options and 74,627 RSUs under the Option Plan.

Consolidated Financial Statements
(In Canadian dollars)

ROOTS CANADA LTD.

For the period from February 1, 2015 to November 30, 2015 and the
52 week period ended January 31, 2015



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ROOTS CANADA LTD.

We have audited the accompanying consolidated financial statements of Roots Canada Ltd., which comprise the consolidated statements of financial position as at November 30, 2015 and January 31, 2015, the consolidated statements of net income and comprehensive income, changes in shareholders' equity and cash flows for the period from February 1, 2015 to November 30, 2015 and the 52 week period ended January 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Roots Canada Ltd. as at November 30, 2015 and January 31, 2015 and its consolidated financial performance and its consolidated cash flows for the period from February 1, 2015 to November 30, 2015 and the 52 week period ended January 31, 2015, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

, 2017
Vaughan, Canada

ROOTS CANADA LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars, except per share amounts)

As at November 30, 2015 and January 31, 2015

	Note	November 30, 2015	January 31, 2015
Assets			
Current assets:			
Cash and cash equivalents	3	\$18,348	\$30,479
Accounts receivable		4,257	3,634
Inventories	4	45,767	24,981
Prepaid expenses		1,856	1,186
Total current assets		70,228	60,280
Non-current assets:			
Fixed assets	5	24,238	23,670
Total non-current assets		24,238	23,670
Total assets		<u>\$94,466</u>	<u>\$83,950</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$17,246	\$14,624
Deferred revenue		1,901	2,292
Income taxes payable	8	10,733	11,427
Due to related parties	10	16,298	16,734
Total current liabilities		46,178	45,077
Non-current liabilities:			
Deferred tax liability	8	1,712	1,919
Deferred lease costs		2,348	2,643
Total non-current liabilities		4,060	4,562
Total liabilities		50,238	49,639
Shareholders' equity:			
Common shares (authorised and issued 1,000,100 shares)		3,000	3,000
Retained earnings		41,228	31,311
Total shareholders' equity		44,228	34,311
Total liabilities and shareholders' equity		<u>\$94,466</u>	<u>\$83,950</u>
Commitments and contingencies	9		
Subsequent events	12		

On behalf of the Board:

Director

Director

See accompanying notes to consolidated financial statements.

ROOTS CANADA LTD.

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(In thousands of Canadian dollars, except per share amounts)
For the period from February 1, 2015 to November 30, 2015 and the
52 week period ended January 31, 2015

	Note	November 30, 2015	January 31, 2015
Sales		\$ 194,804	\$ 217,302
Cost of goods sold	4	<u>89,172</u>	<u>94,272</u>
Gross profit		105,632	123,030
Selling, general and administrative expenses		<u>89,320</u>	<u>94,768</u>
Income before the under-noted		16,312	28,262
Interest expense		<u>1,224</u>	<u>2,118</u>
Income before income taxes		15,088	26,144
Income taxes expense	8	<u>3,871</u>	<u>6,766</u>
Net income and comprehensive income		<u>\$ 11,217</u>	<u>\$ 19,378</u>
Weighted average common shares outstanding		<u>1,000,100</u>	<u>1,000,100</u>
Basic earnings per share		<u>\$ 11.22</u>	<u>\$ 19.38</u>

See accompanying notes to consolidated financial statements.

ROOTS CANADA LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars, except per share amounts)
For the period from February 1, 2015 to November 30, 2015 and the
52 week period ended January 31, 2015

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, February 1, 2015	\$3,000	\$31,311	\$34,311
Net income and comprehensive income	—	11,217	11,217
Dividends	—	(1,300)	(1,300)
Balance, November 30, 2015	<u>\$3,000</u>	<u>\$41,228</u>	<u>\$44,228</u>

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, February 2, 2014	\$3,000	\$11,933	\$14,933
Net income and comprehensive income	—	19,378	19,378
Balance, January 31, 2015	<u>\$3,000</u>	<u>\$31,311</u>	<u>\$34,311</u>

See accompanying notes to consolidated financial statements.

ROOTS CANADA LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars, except per share amounts)
For the period from February 1, 2015 to November 30, 2015 and the
52 week period ended January 31, 2015

	November 30, 2015	January 31, 2015
Cash provided by (used in):		
Operating activities:		
Net income	\$ 11,217	\$ 19,378
Items not involving cash:		
Depreciation and amortization	4,439	6,560
Loss on disposal	—	322
Deferred lease costs	(508)	(947)
Interest expense	1,224	2,118
Income taxes expense	3,871	6,766
Interest paid	(1,224)	(1,947)
Taxes paid	(4,772)	(886)
Change in non-cash operating working capital:		
Accounts receivable	(623)	(859)
Inventories	(20,786)	1,221
Prepaid expenses	(670)	(278)
Accounts payable and accrued liabilities	2,622	(1,091)
Deferred revenue	(391)	917
	<u>(5,601)</u>	<u>31,274</u>
Financing activities:		
Repayment of long-term debt	—	(15,114)
Dividends paid	(1,300)	—
Repayment (draw) of related parties	(436)	789
	<u>(1,736)</u>	<u>(14,325)</u>
Investing activities:		
Additions to fixed assets	(5,007)	(5,586)
Tenant allowance received	213	813
	<u>(4,794)</u>	<u>(4,773)</u>
Increase (decrease) in cash and cash equivalents	<u>(12,131)</u>	<u>12,176</u>
Cash and cash equivalents, beginning of period	<u>30,479</u>	<u>18,303</u>
Cash and cash equivalents, end of period	<u>\$ 18,348</u>	<u>\$ 30,479</u>

See accompanying notes to consolidated financial statements.

ROOTS CANADA LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Canadian dollars, except per share amounts)

For the period from February 1, 2015 to November 30, 2015 and the
52 week period ended January 31, 2015

Roots Canada Ltd. is a company domiciled in Canada. The address of its registered office is 1400 Castlefield Avenue, Toronto, Ontario, M6B 4C4. Roots Canada Ltd. and its subsidiaries are, together, referred to in these consolidated financial statements as the "Company" or "Roots Canada Ltd.".

The Company is an iconic Canadian brand with a rich heritage and portfolio of premium apparel, leather goods, accessories and footwear.

The Company has corporate retail store locations in Canada and the United States and Partner operating retail store locations in China and Taiwan.

1. Basis of preparation:

(a) Fiscal period:

The fiscal period of the Company usually consists of a 52 or 53 week period ending near the last Saturday in January of each year.

These annual financial statements include the results of operations from February 1, 2015 to November 30, 2015. As at December 1, 2015, the Company sold certain of its assets and liabilities to Roots Corporation and effectively ceased operations as of that date. The comparative period includes the result of operations for the 52 week period ended January 31, 2015.

(b) Statement of compliance:

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

These consolidated financial statements were authorized for issuance by the Board of Directors of Roots Corporation on , 2017.

(c) Basis of measurement:

The consolidated financial statements were prepared on a historical cost basis.

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

(d) Functional currency:

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

(e) Basis of consolidation:

These consolidated financial statements include the accounts of Roots Canada Ltd. and its wholly-owned subsidiaries, Roots Canada Inc., Roots U.S.A. Inc., Roots America L.P., and Roots International Ltd. 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 entities have been eliminated on consolidation.

(f) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, 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 year in which the estimates are revised and in any future years affected.

(i) Inventory valuation:

Merchandise inventories are valued at the lower of average cost, using the retail method, 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 judgment in determining the grouping of assets to identify their cash generating units ("CGUs") for the purpose of testing store related fixed assets. Judgment 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 each store location is a separate CGU for the purpose of fixed 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 the lowest level where cash inflows are generated. In addition, judgment 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 value in use and the fair value less costs to sell, of a CGU or a group of CGUs, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

(iii) Gift card breakage:

The Company recognizes revenue from unredeemed gift cards ("gift card breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift card is issued.

2. Significant accounting policies:

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by the Company's entities.

(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. Other non-monetary consolidated statement of financial position items 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 rates of exchange prevailing during the period. The resulting gains or losses on translation are included in the determination of net income for the period and comprehensive income.

(b) Revenue recognition:

Revenue includes sales to customers through retail stores operated by the Company and through e-commerce. Sales to customers through retail stores are recognized at the time of purchase, net of a provision for returns. E-commerce sales to customers are recognized at the time of delivery, net of a provision for returns.

Revenue also includes sales to customers through the Company's international partner and wholesale divisions, which are recognized at the time of shipment.

Royalty revenue is included in sales and is recognized on an accrual basis in accordance with the various contractual agreements and when collectability is reasonably determined.

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 to gift cards is recorded as deferred revenue on the consolidated statement of financial position.

(c) Inventories:

Merchandise inventories are valued at the lower of average cost using the retail method and net realizable value. 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. Cost of raw materials is determined on a first-in, first-out basis.

Work in progress is recorded at the lower of average cost 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 parts 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 and comprehensive income, on a diminishing-balance 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 on a diminishing-balance basis over their estimated useful lives for the current period as follows:

Asset	Basis	Rate
Computer hardware	Diminishing-balance	30%
Furniture and fixtures	Diminishing-balance	20%
Manufacturing equipment	Diminishing-balance	20%
Computer software	Straight line	3 – 5 years
Leasehold improvements	Straight line	Term of lease to a maximum of 10 years

(e) 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.

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 affects the Company.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 recoverable amount is the greater of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU).

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.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications 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.

(f) Leased assets:

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. Payments under an operating lease are recognized in selling, general and administrative expenses on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent, which is included in deferred lease costs on the consolidated statement of financial position.

Tenant allowances are recorded as deferred lease costs and amortized as a reduction of rent expense over the term of the related leases. As at November 30, 2015, all of the Company's leases on premises were accounted for as operating leases.

(g) Income taxes:

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

Current income tax is the expected tax payable or receivable on the taxable income or net income 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, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred 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.

(h) Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

(i) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. In subsequent years, all financial instruments are reported at cost or amortized cost using the effective interest method less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires. Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. For the purposes of ongoing measurement, financial assets and liabilities are classified according to their characteristics and management's intent. All financial instruments are initially recognized at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), held to maturity investments, loans and receivables or other liabilities. After initial recognition, financial instruments are subsequently measured as follows:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

The Company has not classified any financial instruments as held to maturity.

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.

Cash and cash equivalents are categorized as Level 2.

Carrying value approximates fair value for those financial assets and liabilities classified as short-term and measured at amortized cost.

(j) New standards and interpretations not yet adopted:

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing International Accounting Standard ("IAS") 17, Leases, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees,

eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual years beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 15, replacing IAS 18, Revenue; IAS 11, Construction Contracts; and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual years beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

As part of their disclosure initiative, the IASB has issued amendments to IAS 7, Statement of Cash Flows ("IAS 7"), requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a company. The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on January 29, 2017. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on January 29, 2017. The extent of the impact of adoption of the amendments is not expected to be material to the consolidated financial statements.

3. Cash and cash equivalents:

	November 30, 2015	January 31, 2015
Cash	\$18,348	\$10,479
Term deposit, 1.20%, due February 5, 2015	—	20,000
	<u>\$18,348</u>	<u>\$30,479</u>

4. Inventories:

	November 30, 2015	January 31, 2015
Raw materials	\$ 4,714	\$ 4,195
Work in progress	4,530	1,555
Finished goods	36,523	19,231
	<u>\$45,767</u>	<u>\$24,981</u>

The cost of merchandise inventories recognized as an expense and included in cost of goods sold for the period from February 1, 2015 to November 30, 2015 was \$86,200 (52 week period ended January 31, 2015 - \$90,866). Cost includes cost to purchase inventory plus freight, import taxes and duties.

For inventories recorded at November 30, 2015 and January 31, 2015, the Company recorded no write-down of inventories below cost to net realizable value.

5. Fixed assets:

	Computer hardware	Furniture and fixtures	Manufacturing equipment	Computer software	Leasehold improvements	Land and Building	Total
Cost							
Balance, February 2, 2014	\$4,632	\$15,477	\$4,628	\$12,494	\$58,323	\$ 3,630	\$ 99,184
Additions	249	364	50	723	4,200	—	5,586
Disposals/adjustments	—	(162)	—	(6)	(406)	(3,630)	(4,204)
Balance, January 31, 2015	4,881	15,679	4,678	13,211	62,117	—	100,566
Additions	230	684	97	803	3,193	—	5,007
Disposals/adjustments	—	—	—	—	—	—	—
Balance, November 30, 2015	<u>\$5,111</u>	<u>\$16,363</u>	<u>\$4,775</u>	<u>\$14,014</u>	<u>\$65,310</u>	<u>\$ —</u>	<u>\$105,573</u>
Accumulated depreciation and impairment losses							
Balance, February 2, 2014	\$4,185	\$12,889	\$3,982	\$ 9,690	\$40,198	\$ 1,011	\$ 71,955
Depreciation	151	643	125	830	4,775	36	6,560
Disposals/adjustments	—	(162)	—	(6)	(404)	(1,047)	(1,619)
Balance, January 31, 2015	4,336	13,370	4,107	10,514	44,569	—	76,896
Depreciation	134	386	94	805	3,020	—	4,439
Balance, November 30, 2015	<u>\$4,470</u>	<u>\$13,756</u>	<u>\$4,201</u>	<u>\$11,319</u>	<u>\$47,589</u>	<u>\$ —</u>	<u>\$ 81,335</u>
Carrying amount							
November 30, 2015	\$ 641	\$ 2,607	\$ 574	\$ 2,695	\$17,721	\$ —	\$ 24,238
January 31, 2015	545	2,309	571	2,697	17,548	—	23,670

For the period from February 1, 2015 to November 30, 2015, the Company recorded and reversed nil (52 week period ended January 31, 2015 – nil) of impairment losses on fixed assets.

6. Financial instruments:

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 instruments.

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

7. 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.

(b) Currency risk:

The Company purchases a significant amount of its merchandise with U.S. dollars and, as such, significant volatility in the U.S. dollar versus the Canadian dollar can have an impact on the Company's gross margin.

(c) 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 and cash equivalents and accounts receivable. The Company limits its exposure to credit risk with respect to cash and cash equivalents by dealing with Canadian financial institutions. The Company's accounts receivable consist primarily of receivables from business partners from the non-retail operating segment, which are settled within the first quarter of the next fiscal year.

As at November 30, 2015, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Accounts receivable	\$4,257
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(d) 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.

8. Income taxes expense:

The Company's income taxes recovery comprises the following:

	November 30, 2015	January 31, 2015
Current income taxes expense	\$4,078	\$7,397
Deferred income taxes recovery:		
Origination and reversal of temporary differences	(207)	(631)
Total income taxes expense	<u>\$3,871</u>	<u>\$6,766</u>

The effective income tax rate in the consolidated statement of net income and comprehensive income was reported at rates different than the combined basic Canadian federal and provincial average statutory income tax rates for the following reasons:

	November 30, 2015	January 31, 2015
Combined basic federal and provincial average statutory rate	26.5%	26.5%
Other non-deductible/taxable items	(0.84)%	(0.62)%
Effective tax rate	<u>25.66%</u>	<u>25.88%</u>

Movement in deferred tax liability balance:

	As at February 2, 2014	Expense (recovery)	As at January 31, 2015
Fixed assets	\$3,286	\$(666)	\$2,620
Deferred lease costs	(736)	35	(701)
	<u>\$2,550</u>	<u>\$(631)</u>	<u>\$1,919</u>
	As at January 31, 2015	Expense (recovery)	As at November 30, 2015
Fixed assets	\$2,620	\$(286)	\$2,334
Deferred lease costs	(701)	79	(622)
	<u>\$1,919</u>	<u>\$(207)</u>	<u>\$1,712</u>

9. Commitments and contingencies:

(a) Commitments:

The Company leases various store locations, a head office, a distribution centre, a manufacturing facility and equipment under operating lease agreements. The leases are classified as operating leases since there is no transfer of risks and rewards inherent to ownership.

The leases have varying terms, escalation clauses and renewal rights. Minimum lease payments are recognized on a straight-line basis. Leases run for varying terms that generally do not exceed 10 years, with options to renew (if any) that do not exceed 5 years. The majority of real estate leases are net leases, which require additional payments for the cost of insurance, taxes, common area maintenance and utilities. Non-cancellable operating lease base rent payments are payable on a calendar year end as follows:

2016	\$18,155
2017	15,829
2018	13,654
2019	12,121
2020	10,536
Thereafter	26,413
	<u>\$96,708</u>

(b) Contingencies:

In the course of its business, the Company, from time to time, becomes involved in various claims and legal proceedings. In the opinion of management, all such claims and suits are adequately covered by insurance, or if not so covered, the results are not expected to materially affect the Company's financial position.

10. Related party transactions:

The Company's related parties include key management personnel and the shareholders of the Company, including other entities under common control. The Company's shares are equally owned by 1257020 Ontario Inc. and 1257021 Ontario Inc., and the ultimate controlling parties of the Company are Mr. Green and Mr. Budman. All transactions as described below are in the normal course of business and have been accounted for at their exchange value.

(a) Transactions with shareholders:

The Company leases properties from companies that are under common control of shareholders of the Company, including the building for their distribution centre and their manufacturing facility. Rent expenses as they relate to the lease of these properties amounted to \$874 for the period from February 1, 2015 to November 30, 2015 (52 week period ended January 31, 2015 – \$848).

In addition, under a consulting agreement between the Company and certain shareholders, the shareholders and their family members are entitled to consulting fees, clothing allowances and reimbursement for certain travel, meals and phone expenses. Total consulting fees and other reimbursements paid for the period from February 1, 2015 to November 30, 2015 amounted to \$2,068 (52 week period ended January 31, 2015 – \$2,148).

During the 52 week period ended January 31, 2015, the Company entered into a sale-and-leaseback transaction with a company under common control of shareholders of the Company. The Company transferred property and equipment in exchange for 1,316,000 Class A preferred shares of the company under common control of the shareholders of the Company on a tax deferred basis. The Mortgage payable of \$2,213 was assumed by the related party. The transaction was measured at the exchange amount of \$322. The operating lease term extends from October 2014 to January 2020 with monthly rent commitments of \$25.

Due to related parties:

	November 30, 2015	January 31, 2015
7.67% debenture, repayable interest only monthly, due July 2015	\$10,000	\$10,000
10% debenture, repayable interest only monthly, due July 2015	1,650	1,650
7.67% debenture due July 2015	2,000	2,000
7.67% debenture, repayable interest only monthly, with no set repayment date	1,900	1,900
10% debenture, repayable interest only monthly, with no set repayment date	1,172	1,172
Other amounts due to (from) with no set repayment dates	(424)	12
	<u>\$16,298</u>	<u>\$16,734</u>

(b) Transactions with key management personnel:

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

	November 30, 2015	January 31, 2015
Wages, salaries, benefits, bonus and consulting	<u>\$2,062</u>	<u>\$1,801</u>

11. Personnel expenses:

	November 30, 2015	January 31, 2015
Wages and salaries	\$33,874	\$37,037
Benefits and other incentives	6,658	8,229
	<u>\$40,532</u>	<u>\$45,266</u>

12. Subsequent events:

On December 1, 2015, the Company sold certain assets and liabilities, including various trademarks, brand names, and license agreements, to Roots Corporation in exchange for cash and Class B common shares of Roots Corporation. The total fair value of the consideration received was approximately \$302,739 and resulted in a gain of sale of approximately \$256,487. As a result of the sale, Roots Corporation will continue the retail, wholesale, and manufacturing operations of the Company. In addition, as a result of the transaction, the Company has changed its legal name to Don Michael Holdings Ltd.

APPENDIX A

MANDATE OF THE BOARD OF DIRECTORS

1. Introduction

The members of the board of directors (respectively, the “**Directors**” and the “**Board**”) of Roots Corporation (the “**Company**”) are elected by the shareholders of the Company and are responsible for the stewardship of the Company. The purpose of this mandate (the “**Board Mandate**”) is to describe the principal duties and responsibilities of the Board, as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities.

Certain aspects of the composition and organization of the Board are prescribed and/or governed by the *Canada Business Corporations Act* and the constating documents of the Company, and applicable agreements, including the investor rights agreement between the Company and certain of its shareholders (the “**Investor Rights Agreement**”). Certain of the provisions of the Board Mandate may be modified or superseded by the provisions of the Investor Rights Agreement. In the event of a conflict between this Board Mandate and the Investor Rights Agreement, the Investor Rights Agreement shall prevail.

2. Chair of the Board

The Board will appoint an independent director to act as Chair of the Board (the “**Chair**”). If the Board determines that this is not appropriate in the circumstances and instead appoints a non-independent director to act as Chair of the Board, the Board will also appoint an independent director to act as lead director (the “**Lead Director**”). Either an independent Chair of the Board or the Lead Director will act as the effective leader of the Board and ensure that the Board’s agenda will enable it to successfully carry out its duties. The Chair of the Board and the Lead Director, as applicable, may be removed at any time at the discretion of the Board.

3. Board Size

The constating documents of the Company provide that the Board shall be comprised of a minimum of three (3) Directors and a maximum of fifteen (15) Directors. Pursuant to the Investor Rights Agreement, the Board shall initially be comprised of seven (7) Directors. The Board shall periodically review its size in light of its duties and responsibilities from time to time. Applicable residency requirements will be complied with in respect of the composition of the Board.

4. Independence

The Board shall be comprised of a minimum of two (2) independent Directors. A Director shall be considered independent if he or she would be considered independent for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

5. Role and Responsibilities of the Board

The Board is responsible for supervising the management of the business and affairs of the Company and is expected to focus on guidance and strategic oversight with a view to increasing shareholder value.

In accordance with the *Canada Business Corporations Act*, in discharging his or her duties, each Director must act honestly and in good faith, with a view to the best interests of the Company. Each Director must also exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

6. Board Meetings

- (a) In accordance with the constating documents of the Company, meetings of the Board may be held at such times and places as the Chair may determine and as many times per year as necessary to

effectively carry out the Board's responsibilities. The non-employee Directors may meet without senior executives of the Company, as required. The independent Directors may meet without senior executives of the Company and any non-independent Directors, as required.

- (b) The Chair shall be responsible for establishing or causing to be established the agenda for each Board meeting, and for ensuring that regular minutes of Board proceedings are kept and circulated on a timely basis for review and approval.
- (c) The Chair (or other Directors as delegated by the Chair from time to time) may invite, at its discretion, any other individuals to attend its meetings. Senior executives of the Company shall attend a meeting if invited by the Chair (or another Director delegated by the Chair).

7. Delegations and Approval Authorities

- (a) The Board shall appoint the chief executive officer of the Company (the “CEO”) and delegate to the CEO and other senior executives the authority over the day-to-day management of the business and affairs of the Company.
- (b) The Board may delegate certain matters it is responsible for to the committees of the Board, currently consisting of the Audit Committee, and the Governance, Compensation and Nominating Committee. The Board may appoint other committees, as it deems appropriate, subject to compliance with the Investor Rights Agreement and to the extent permissible under applicable law. The Board will, however, retain its oversight function and ultimate responsibility for such matters and associated delegated responsibilities.

8. Strategic Planning Process and Risk Management

- (a) The Board shall adopt a strategic planning process to establish objectives and goals for the Company's business and shall review, approve and modify as appropriate the strategies proposed by senior executives to achieve such objectives and goals. The Board shall review and approve, at least on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Company's business and affairs.
- (b) The Board, in conjunction with management, shall be responsible to identify the principal risks of the Company's business and oversee management's implementation of appropriate systems to seek to effectively monitor, manage and mitigate the impact of such risks. Pursuant to its duty to oversee the implementation of effective risk management policies and procedures, the Board may delegate to applicable Board committees the responsibility for assessing and implementing appropriate policies and procedures to address specified risks, including delegation of financial and related risk management to the Audit Committee and delegation of risks associated with compensation policies and practices to the Governance, Compensation and Nominating Committee.

9. Succession Planning, Appointment and Supervision of Senior Executives

- (a) The Board shall approve the corporate goals and objectives of the CEO and review the performance of the CEO against such corporate goals and objectives. The Board shall take steps to satisfy itself as to the integrity of the CEO and other senior executives of the Company and that the CEO and other senior executives create a culture of integrity throughout the organization.
- (b) The Board shall approve the succession plan for the Company, including the selection, appointment, supervision and evaluation of the senior executives of the Company, and shall also approve the compensation of the senior executives of the Company upon recommendation of the Governance, Compensation and Nominating Committee.

10. Financial Reporting and Internal Controls

The Board shall review and monitor, with the assistance of the Audit Committee, the adequacy and effectiveness of the Company's system of internal control over financial reporting, including any significant deficiencies or changes in internal control and the quality and integrity of the Company's external financial reporting processes.

11. Regulatory Filings

The Board shall approve applicable regulatory filings that require or are advisable for the Board to approve, which the Board may delegate in accordance with Section 7(b) of this mandate. These include, but are not limited to, the annual audited financial statements, interim financial statements and related management's discussion and analysis accompanying such financial statements, management proxy circulars, annual information forms, offering documents and other applicable disclosure.

12. Corporate Disclosure and Communications

The Board will seek to ensure that corporate disclosure of the Company complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which the Company's securities are listed. In addition, the Board shall adopt appropriate procedures designed to permit the Board to receive feedback from shareholders on material issues.

13. Corporate Policies

The Board shall adopt and periodically review policies and procedures designed to ensure that the Company and its Directors, officers and employees comply with all applicable laws, rules and regulations and conduct the Company's business ethically and with honesty and integrity.

14. Review of Mandate

The Board may, from time to time, permit departures from the terms of this Board Mandate, either prospectively or retrospectively. This Board Mandate is not intended to give rise to civil liability on the part of the Company or its Directors or officers, to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

The Board may review and recommend changes to the Board Mandate from time to time and the Governance, Compensation and Nominating Committee may periodically review and assess the adequacy of this mandate and recommend any proposed changes to the Board for consideration.

APPENDIX B

AUDIT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of Roots Corporation (the “**Company**”).

1. **Statement of Purpose**

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and related financial disclosure;
- risk management;
- internal control over financial reporting and disclosure controls and procedures; and
- external and internal audit processes.

2. **Committee Membership**

The Committee shall consist of as many directors of the Board as the Board may determine (the “**Members**”), but in any event, not less than three (3) Members. Each Member shall meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which the Company’s securities are listed, including National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) subject to any exceptions permitted under NI 52-110. NI 52-110 requires, among other things, that to be independent, a Member be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.

Members shall be appointed by the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee of the Board (the “**GC&N Committee**”). Any Member may be removed and replaced at any time by the Board, and will automatically cease to be a Member if he or she ceases to meet the qualifications required of Members. The Board will fill vacancies on the Committee by appointment from among qualified directors of the Board, taking into account any recommendation that may be made by the GC&N Committee. If a vacancy exists on the Committee, the remaining Members may exercise all of its powers so long as there is a quorum in accordance with Section 3 below.

Chair

The Board will designate one of the independent directors of the Board to be the chair of the Committee (the “**Chair**”), taking into account any recommendation that may be made by the GC&N Committee.

Qualifications

Subject to permitted phase-in periods contemplated by Section 3.2 of NI 52-110, at least three (3) Members shall be independent and financially literate as described above. Members must have suitable experience and must be familiar with auditing and financial matters.

Attendance of Management and other Persons

The Committee may invite, at its discretion, senior executives of the Company or such persons as it sees fit to attend meetings of the Committee and to take part in the discussion and consideration of the affairs of the Committee. The Committee may also require senior executives or other employees of the Company to produce such information and reports as the Committee may deem appropriate in the proper exercise of its duties. Senior executives and other employees of the Company shall attend a Committee meeting if invited by the Committee. The Committee may meet without senior executives in attendance for a portion of any meeting of the Committee.

Delegation

Subject to applicable law, the Committee may delegate any or all of its functions to any of its Members or any subset thereof, or other persons, from time to time as it sees fit.

3. Committee Operations

Meetings

The Chair, in consultation with the other Members, shall determine the schedule and frequency of meetings of the Committee. Meetings of the Committee shall be held at such times and places as the Chair may determine. To the extent possible, advance notice of each meeting will be given to each Member unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings of the Committee either in person or by telephone, video or other electronic means. Powers of the Committee may also be exercised by written resolutions signed by all Members.

At the request of the external auditors of the Company, the Chief Executive Officer or the Chief Financial Officer of the Company or any Member, the Chair shall convene a meeting of the Committee. Any such request shall set out in reasonable detail the business proposed to be conducted at the meeting so requested.

Agenda and Reporting

To the extent possible, in advance of every regular meeting of the Committee, the Chair shall prepare and distribute, or cause to be prepared and distributed, to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials.

The Chair shall report to the Board on the Committee's activities since the last Board meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board. Minutes of each meeting of the Committee shall be circulated to the Board following approval of the minutes by the Members. The Committee shall oversee the preparation of, review and approve the applicable disclosure for inclusion in the Company's annual information form.

Secretary and Minutes

The secretary of the Company may act as secretary of the Committee unless an alternative secretary is appointed by the Committee. The secretary of the Committee shall keep regular minutes of Committee proceedings and shall circulate such minutes to all Members and to the chair of the Board (and to any other director of the Board that requests that they be sent to him or her) on a timely basis.

Quorum and Procedure

A quorum for any meeting of the Committee will be a simple majority. The procedure at meetings will be determined by the Committee. The powers of the Committee may be exercised by a simple majority of Members at a meeting where a quorum is present or by resolution in writing signed by all Members. In the absence of the Chair, the Committee may appoint one of its other Members to act as Chair of any meeting.

Exercise of Power between Meetings

Between meetings, the Chair, or any Member designated for such purpose by the Committee, may, if required in the circumstance, exercise any power delegated by the Committee on an interim basis. The Chair or other designated Member will promptly report to the other Members in any case in which this interim power is exercised.

4. Duties and Responsibilities

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board as well as any other functions that may be necessary or appropriate for the performance of its duties.

Financial Reporting and Disclosure

Review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management's discussion and analysis, financial reports, and other applicable financial disclosure, prior to the public disclosure of such information.

Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information.

Review with senior executives of the Company, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("IFRS"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Company's financial position and the results of its operations in accordance with IFRS, as applicable.

Seek to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, the Company's disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.

Risk Management

Review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

Review and make recommendations to the Board regarding the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company.

Internal Controls and Internal Audit

Review the adequacy and effectiveness of the Company's internal control and management information systems through discussions with senior executives of the Company and the external auditor relating to the maintenance of (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions; (ii) effective internal control over financial reporting; and (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud. From time to time the Committee shall assess any requirements or changes with respect to the establishment or operations of the internal audit function having regard to the size and stage of development of the Company at any particular time.

Satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations.

Periodically review the Company's policies and procedures for reviewing and approving or ratifying related-party transactions.

External Audit

Recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of the Company.

Ensure the external auditors report directly to the Committee on a regular basis. Review the independence of the external auditors.

Review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors.

Review the audit plan of the external auditors prior to the commencement of any audit. Establish and maintain a direct line of communication with the Company's external auditors.

Meet *in camera* with (i) only the auditors, (ii) only senior executives of the Company (without the auditors present), or (iii) only the Members (without the auditors or senior executives of the Company present), where and to the extent that such parties are present, at any meeting of the Committee.

Oversee the work of the external auditors of the Company with respect to preparing and issuing an audit report or performing other audit or review services for the Company, including the resolution of issues between senior executives of the Company and the external auditors.

Review the results of the external audit and the external auditors' report thereon, including discussions with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with senior executives of the Company and any other matters.

Review any material written communications between senior executives of the Company and the external auditors and any significant disagreements between the senior executives and the external auditors.

Discuss with the external auditors their perception of the Company's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.

Discuss with the external auditors their perception of the Company's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks.

Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board.

Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to address any such issues.

Associated Responsibilities

Monitor and periodically review the Whistleblower Policy of the Company and associated procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- the confidential, anonymous submission by directors, officers and employees of the Company of concerns regarding questionable accounting or auditing matters; and
- any violations of applicable law, rules or regulations that relates to corporate reporting and disclosure, or violations of the Company's Code of Conduct.

Review and approve the Company's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of the Company.

Non-Audit Services

Pre-approve all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its Members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

Other Duties

Direct and supervise the investigation into any matter brought to its attention within the scope of the Committee's duties. Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable law.

5. The Committee Chair

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for overseeing and reporting on the evaluations to be conducted by the Committee, as well as monitoring developments with respect to accounting and auditing matters in general and reporting to the Committee on any related significant developments.

6. Committee Evaluation

The performance of the Committee shall be evaluated by the Board as part of its regular evaluation of the Board committees.

7. Access to Information and Authority to Retain Independent Advisors

The Committee shall be granted unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors of the Company, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial, and other advisors, consultants and experts to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve their fees. The Committee shall select such advisors, consultants and experts after taking into consideration factors relevant to their independence from management and other relevant considerations.

The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the external advisors, in accordance with its business judgment. Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors of the Board are subject under applicable law.

The Committee also has the authority to communicate directly with internal and external auditors. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of the senior executives of the Company responsible for such matters and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are directors of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or

liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure. This Charter is not intended to change or interpret the constating documents of the Company or applicable law or stock exchange rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with the constating documents of the Company and all applicable laws and rules. Certain of the provisions of this Charter may be modified or superseded by the provisions of the investor rights agreement between the Company and certain of its shareholders (the "**Investor Rights Agreement**"). In the event of a conflict between this charter and the Investor Rights Agreement, the Investor Rights Agreement shall prevail.

The Board may, from time to time, permit departures from the terms of this Charter, either prospectively or retrospectively. This Charter is not intended to give rise to civil liability on the part of the Company or its directors or officers, to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

8. Review of Charter

The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

CERTIFICATE OF THE COMPANY

Dated: September 13, 2017.

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) JAMES A. GABEL
President and Chief Executive Officer

(Signed) JAMES D. RUDYK
Chief Financial Officer

On behalf of the Board of Directors

(Signed) EROL UZUMERI
Director

(Signed) ERIC ZINTERHOFFER
Director

CERTIFICATE OF THE SELLING SHAREHOLDERS

Dated: September 13, 2017.

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

On behalf of
SEARCHLIGHT CAPITAL PARTNERS II GP, LLC, in its capacity as general partner of
SEARCHLIGHT CAPITAL PARTNERS II GP, L.P., in its capacity as general partner of
SEARCHLIGHT CAPITAL II PV, L.P.,
SC II TMK, L.P. and
SEARCHLIGHT TMK CO-INVEST PARTNERS, L.P.

(Signed) EROL UZUMERI
Manager

On behalf of
DON MICHAEL INVESTMENTS INC.

(Signed) DON GREEN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: September 13, 2017.

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

TD SECURITIES INC.

(Signed) SANJAY NAKRA

**CREDIT SUISSE SECURITIES
(CANADA), INC.**

(Signed) RON LLOYD

BMO NESBITT BURNS INC.

(Signed) ANDREW WARKENTIN

JEFFERIES SECURITIES, INC.

(Signed) STEVEN A. LATIMER

RBC DOMINION SECURITIES INC.

(Signed) CARRIE COOK

SCOTIA CAPITAL INC.

(Signed) JOHN CREAN

CIBC WORLD MARKETS INC.

(Signed) MELISSA LI

CANACCORD GENUITY CORP.

(Signed) JASON ROBERTSON

NATIONAL BANK FINANCIAL INC.

(Signed) BRAD SPRUIN

