ROOTS CORPORATION

Interim Condensed Consolidated Financial Statements

For the 13 week periods ended May 4, 2024 and April 29, 2023
In Canadian dollars
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited interim condensed consolidated financial statements of Roots Corporation have been prepared by and are the responsibility of management of Roots Corporation.

Roots Corporation's independent auditor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the accompanying interim condensed consolidated financial statements. Readers are cautioned that these financial statements may not be appropriate for their intended purposes.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Note	May 4, 2024	April 29, 2023	February 3, 2024
Assets				
Current assets				
Cash		$ 12,414	$ 13,972	$ 28,033
Accounts receivable	10	4,224	2,806	6,074
Inventories		35,397	50,422	36,157
Prepaid expenses		6,701	4,899	5,323
Income taxes recoverable		1,553	–	–
Derivative assets	4, 10	700	769	203
Total current assets		60,989	72,868	75,790
Non-current assets:				
Fixed assets		34,274	37,927	34,556
Right-of-use assets		63,136	60,139	67,444
Intangible assets		183,296	185,602	183,866
Goodwill		7,906	7,906	7,906
Other assets	9	300	300	300
Total non-current assets		288,912	291,874	294,072
Total assets		**$ 349,901**	**$ 364,742**	**$ 369,862**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	10	$ 20,240	$ 21,595	$ 24,880
Deferred revenue		5,045	5,737	5,301
Income taxes payable		–	1,255	1,764
Current portion of lease liabilities	10	20,800	22,494	21,146
Current portion of long-term debt	5, 10	4,024	6,390	4,024
Total current liabilities		50,109	57,471	57,115
Non-current liabilities:				
Deferred tax liabilities		22,546	19,518	22,218
Long-term portion of lease liabilities	10	54,773	55,246	58,726
Long-term debt	5, 10	40,095	48,558	40,986
Total non-current liabilities		117,414	123,322	121,930
Total liabilities		167,523	180,793	179,045
Shareholders' equity:				
Share capital	6	187,544	191,978	187,544
Contributed surplus	8	4,799	4,388	4,708
Accumulated other comprehensive income	4	514	566	149
Retained earnings (deficit)		(10,479)	(12,983)	(1,584)
Total shareholders' equity		182,378	183,949	190,817
Total liabilities and shareholders' equity		**$ 349,901**	**$ 364,742**	**$ 369,862**

On behalf of the Board of Directors:

"Erol Uzumeri" Director

"Richard P. Mavrinac" Director

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

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

For the 13 week periods ended May 4, 2024 and April 29, 2023

	Note		May 4, 2024 (13 weeks)		April 29, 2023 (13 weeks)
Sales		$	37,461	$	41,496
Cost of goods sold			15,360		17,015
Gross profit			22,101		24,481
Selling, general and administrative expenses	8		31,982		33,006
Income (loss) before interest expense and income taxes expense (recovery)			(9,881)		(8,525)
Interest expense			2,127		2,269
Income (loss) before income taxes			(12,008)		(10,794)
Income taxes expenses (recovery)	11		(3,113)		(2,828)
Net income (loss)		**$**	**(8,895)**	**$**	**(7,966)**
Basic earnings (loss) per Share	7	$	(0.22)	$	(0.19)
Diluted earnings (loss) per Share	7	$	(0.22)	$	(0.19)

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)
(Unaudited)

For the 13 week periods ended May 4, 2024 and April 29, 2023

	Note		May 4, 2024 (13 weeks)		April 29, 2023 (13 weeks)
Net income (loss)		$	(8,895)	$	(7,966)
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	4,10		652		724
Gain (cost) of hedging excluded from cash flow hedges	4,10		(7)		1
Tax impact of cash flow hedges	4,10		(171)		(191)
Total other comprehensive income (loss)			474		534
Total comprehensive income (loss)		**$**	**(8,421)**	**$**	**(7,432)**

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)
(Unaudited)

For the 13 week periods ended May 4, 2024 and April 29, 2023

May 4, 2024 (13 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 3. 2024		**$ 187,544**	**$ 4,708**	**$ (1,584)**	**$ 149**	**$ 190,817**
Net income (loss)		–	–	(8,895)	–	(8,895)
Net gain from change in fair value of cash flow hedges, net of income taxes	4,10	–	–	–	474	474
Transfer of net realized gain on cash flow hedges to inventories, net of income taxes		–	–	–	(109)	(109)
Share-based compensation	8	–	91	–	–	91
Balance, May 4, 2024		**$ 187,544**	**$ 4,799**	**$ (10,479)**	**$ 514**	**$ 182,378**

April 29, 2023 (13 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, January 28, 2023		**$ 189,338**	**$ 4,380**	**$ (5,778)**	**$ 102**	**$ 188,042**
Net income (loss)		–	–	(7,966)	–	(7,966)
Net gain from change in fair value of cash flow hedges, net of income taxes	4,10	–	–	–	534	534
Transfer of net realized gain on cash flow hedges to inventories, net of income taxes		–	–	–	(70)	(70)
Share-based compensation	8	–	100	–	–	100
Issuance of Shares	6	318	(92)	–	–	226
Purchase of Shares	6	2,322	–	761	–	3,083
Balance, April 29, 2023		**$ 191,978**	**$ 4,388**	**$ (12,983)**	**$ 566**	**$ 183,949**

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

For the 13 week periods ended May 4, 2024 and April 29, 2023

	Note	May 4, 2024 (13 weeks)	April 29, 2023 (13 weeks)
Cash provided by (used in):			
Operating activities:			
Net income (loss)		$ (8,895)	$ (7,966)
Items not involving cash:			
Depreciation and amortization		7,241	7,537
Share-based compensation expense	8	91	100
Interest expense		2,127	2,269
Income taxes expenses (recovery)	11	(3,113)	(2,828)
Interest paid		(721)	(979)
Payment of interest on lease liabilities		(1,291)	(1,160)
Income taxes paid (refund)		(7)	1,204
Change in non-cash operating working capital:			
Accounts receivable		1,850	2,878
Inventories		760	4,568
Prepaid expenses		(1,378)	(1,478)
Accounts payable and accrued liabilities		(4,640)	(12,338)
Deferred revenue		(256)	(312)
		(8,232)	(8,505)
Financing activities			
Long-term debt financing costs	5	–	(753)
Repayment of Term Credit Facility	5	(1,006)	(1,153)
Proceeds from issuance of Shares	6	–	226
Purchase of Shares	6	–	(1,398)
Payment of principal on lease liabilities, net of tenant allowance		(4,512)	(4,933)
		(5,518)	(8,011)
Investing activities			
Additions to fixed assets		(1,869)	(1,090)
Additions to right-of-use assets		–	(43)
Investment in other assets	9	–	(300)
		(1,869)	(1,433)
Decrease in cash		(15,619)	(17,949)
Cash, beginning of period		28,033	31,921
Cash, end of period		**$ 12,414**	**$ 13,972**

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. Nature of operations and basis of presentation

Nature of operations

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand, which as of May 4, 2024, operated 104 corporate retail stores and 8 short-term pop-up locations in Canada, two corporate retail stores in the United States, and an eCommerce platform, roots.com. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women's, men's, children's, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel At Home With Nature™. We offer products designed to meet life's everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers.

Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada", incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its head office and registered office is located at 1400 Castlefield Avenue, Toronto, Ontario M6B 4C4. Roots Corporation and its subsidiaries are collectively referred to in these interim condensed consolidated financial statements as the "Company" or "Roots Corporation".

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

The Company experiences seasonal fluctuations in the financial results of its retail business, as a meaningful portion of its sales and earnings occur in the third and fourth fiscal quarters. The Company's working capital requirements generally increase in the periods preceding these peak periods, and it is not uncommon for net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization ("EBITDA") to be negative in the first two fiscal quarters.

<u>Basis of presentation</u>

(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 53 week period ended February 3, 2024 (the "annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards ("IFRS"). However, select 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 annual financial statements. These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors ("Board") on June 7, 2024.

(b) Basis of measurement:

These interim financial statements were prepared on a historical cost basis, except for derivative financial instruments consisting of forward hedging contracts, and share-based compensation, which are measured at fair value.

(c) Use of estimates and judgements:

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements 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. Material accounting policies

The material accounting policies as disclosed in the annual financial statements for the year ended February 3, 2024 have been applied consistently in the preparation of these interim condensed consolidated financial statements.

Recently adopted accounting standard:

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

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

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

New standard not yet adopted:

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

In April 2024, the IASB issued *IFRS 18*, which replaces IAS 1, *Presentation of Financial Statements*, to achieve comparability of the financial performance of similar entities. The standard impacts the presentation of the primary financial statements and notes, including the required classification of income and expenses into three categories: operating, investing and financing, with defined subtotals, including "operating profit". IFRS 18 will also require management-defined performance measures to be disclosed in a separate note to the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027.

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

(In thousands of Canadian dollars, except share and per share amounts)

3. Operating segments

The Company has two reportable operating segments:

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

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

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

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

			May 4, 2024 (13 weeks)			April 29, 2023 (13 weeks)
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	$ 31,405	$ 6,056	$ 37,461	$ 35,406	$ 6,090	$ 41,496
Cost of goods sold	11,889	3,471	15,360	13,716	3,299	17,015
Gross profit	19,516	2,585	22,101	21,690	2,791	24,481
Selling, general and administrative expenses[1]			31,982			33,006
Income (loss) before interest expense and income taxes expense (recovery)			(9,881)			(8,525)
Interest expense[1]			2,127			2,269
Income (loss) before income taxes expense (recovery)			$ (12,008)			$ (10,794)

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

4. Financial instruments

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

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

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

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

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

There were no transfers between levels of the fair value hierarchy for the 13 week periods ended May 4, 2024 and April 29, 2023.

The Company enters into forward contracts to hedge a portion of its exposure to purchases denominated in U.S. dollars. As at May 4, 2024, the Company had outstanding forward contracts to buy US$30,975 (April 29, 2023 – US$25,975) at an average forward rate of 1.34 (April 29, 2023 – 1.33). As at May 4, 2024, the forward contracts have maturity dates between May 6, 2024 and April 7, 2025.

For the 13 week periods ended May 4, 2024 and April 29, 2023, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a gain of $642 (net of tax – $472) and a gain of $682 (net of tax – $502), respectively, which were recorded in other comprehensive income (loss).

The Company enters into swap contracts to hedge its exposure to changes in the market interest rates for a portion of the Credit Facilities. As at May 4, 2024, the Company had outstanding swap contracts to affix its bankers' acceptance rate at 4.4% per annum, through September 2024 on $40,000 of its long-term debt under its Credit Facilities (February 3, 2024 - $40,000, through September 2024).

For the period ended May 4, 2024, the effective portion of changes in the fair value of interest rate swap contracts resulted in a gain of $10 (net of tax - $7) (April 29, 2023 - gain of $120 (net of tax - $88)), which was recorded in other comprehensive income (loss).

(In thousands of Canadian dollars, except share and per share amounts)

5. Long-term debt

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

On April 4, 2023, the Company amended and restated its Credit Agreement to extend the maturity from September 6, 2024 to September 6, 2026. The amendment introduced fallback provisions for the Canadian benchmark given the expected transition from the Canadian Dollar Offered Rate ("CDOR") to the Canadian Overnight Repo Rate Average ("CORRA") and transitioned from LIBOR as the U.S benchmark to the secured overnight financing rate ("SOFR"). There were no changes to the $60,000 Revolving Credit Facility limit or $10,000 swing loan as part of the amendment.

On June 7, 2024, the Company amended its Credit Agreement to adjust certain definitions and covenant limits**.** See Note 13 – Subsequent Events.

The following table reconciles the changes in cash flows from financing activities for long-term debt for the 13 week periods ended May 4, 2024 and April 29, 2023:

		May 4, 2024		April 29, 2023
Long-term debt, beginning of period	$	45,010	$	56,726
Long-term debt repayments of Term Credit Facility		(1,006)		(1,153)
Long-term debt financing costs		–		(754)
Total cash flow from long-term debt financing activities		(1,006)		(1,907)
Amortization of long-term debt financing costs		115		129
Total non-cash long-term debt activity		115		129
Total long-term debt, end of period[(1)]	**$**	**44,119**	**$**	**54,948**

(1) Total long-term debt of $44,119 at May 4, 2024 is net of $1,079 unamortized long-term debt financing costs. As at April 29, 2023, total long-term debt of $54,948 is net of $1,534 unamortized long-term debt financing costs.

Recorded in the interim condensed consolidated statement of financial position as follows:

		May 4, 2024		April 29, 2023
Current portion of long-term debt		4,024		6,390
Long-term portion of long-term debt		40,095		48,558
	$	**44,119**	**$**	**54,948**

(In thousands of Canadian dollars, except share and per share amounts)

6. Share capital

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

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

As at May 4, 2024, there were 40,250,213 Shares (April 29, 2023 – 41,166,719 Shares) and nil preferred shares (April 29, 2023 – nil preferred shares) issued and outstanding. All issued Shares are fully paid.

There were no dividends or distributions declared during the 13 week periods ended May 4, 2024 and April 29, 2023.

The following table provides a summary of changes to the Company's share capital for the 13 week periods ended May 4, 2024 and April 29, 2023:

	13 week period ended May 4, 2024			13 week period ended April 29, 2023		
	Number of Shares		Share capital	Number of Shares		Share capital
Outstanding Shares, beginning of period	40,250,213	$	187,544	41,461,863	$	189,338
Issuance of Shares	–		–	166,668		318
Purchase of Shares[(1)]	–		–	(461,812)		2,322
Outstanding Shares, end of period	40,250,213	$	187,544	41,166,719	$	191,978

(1) For the 13 week period ending April 29, 2023, reduction to share capital includes the reversal of the $4,481 obligation to repurchase shares under the ASPP, less $2,159 for the purchase of 461,812 shares for cancellation).

During the period ended May 4, 2024, there were no shares issued from treasury as a result of the exercise of stock options and restricted share units ("RSUs"). During the period ended April 29, 2023, 166,668 Shares were issued from treasury as a result of the exercise of 166,668 stock options granted under the Company's Omnibus Equity Incentive Plan (the "Omnibus Plan"), see Note 8.

Share Purchase

On December 9, 2022, the TSX accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to purchase, at its discretion, up to 2,119,667 Shares. The program commenced on December 16, 2022 and terminated on December 15, 2023.

From time to time, the Company participates in an Automatic Share Purchase Plan ("ASPP") that allows the purchase of Shares for cancellation under the NCIB at any time during predetermined trading blackout periods. For the 13 week periods ended May 4, 2024 and April 29, 2023, there were no obligations for the repurchase of shares recognized in accounts payable and accrued liabilities under the ASPP.

During the 13 week period ended May 4, 2024, no Shares were purchased for cancellation. During the 13 week period ended April 29, 2023, 461,812 Shares were purchased for cancellation for $1,398, resulting in a decrease to share capital of $2,159 and an increase to retained earnings (deficit) of $761.

(In thousands of Canadian dollars, except share and per share amounts)

7. Earnings (Loss) per Share

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

	May 4, 2024 (13 weeks)	April 29, 2023 (13 weeks)
Weighted average Shares outstanding	40,250,213	41,360,694
Dilutive share-based compensation	–	–
Dilutive weighted average Shares outstanding	40,250,213	41,360,694

	May 4, 2024 (13 weeks)	April 29, 2023 (13 weeks)
Net income (loss)	(8,895)	(7,966)
Basic and diluted earnings (loss) per Share	$ (0.22)	$ (0.19)

For the 13 week periods ended May 4, 2024 and April 29, 2023, 2,141,869 and 2,418,405 stock options, respectively, were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For both the 13 week periods ended May 4, 2024 and April 29, 2023, 15,985 restricted share units ("RSUs"), were excluded in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For both the 13 week period ended May 4, 2024 and April 29, 2023, 100,000 common share purchase warrants ("Warrants") were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

(In thousands of Canadian dollars, except share and per share amounts)

8. Share-based compensation

Under the various share-based compensation plans, the Company may grant stock options or other security-based instruments to buy up to 3,435,036 Shares. As at May 4, 2024, 2,141,869 stock options,100,000 Warrants and 15,985 RSUs were granted and outstanding.

The following is a summary of the Company's stock option and Warrants activity for the 13 week periods ended May 4, 2024 and April 29, 2023:

May 4, 2024	Legacy Employee Option Plan		Omnibus Plan				Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period	155,284	$ 6.26	2,009,544	$ 2.84	100,000	$ 2.98	2,264,828	$ 3.08
Granted[1]	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–
Forfeited	(10,709)	6.26	(12,250)	5.42	–	–	(22,959)	5.81
Outstanding options, end of period	144,575	$ 6.26	1,997,294	$ 2.83	100,000	$ 2.98	2,241,869	$ 3.06
Exercisable options, end of period	144,575	$ 6.26	1,653,965	$ 2.82	33,334	$ 2.98	1,831,874	$ 3.10

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

April 29, 2023	Legacy Employee Option Plan		Omnibus Plan				Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period	214,186	$ 6.26	2,080,887	$ 2.76	–	–	2,295,073	$ 3.09
Granted[1]	–	–	350,000	3.00	100,000	$ 2.98	450,000	3.00
Exercised	–	–	(166,668)	1.35	–	–	(166,668)	1.35
Forfeited	–	–	(60,000)	3.62	–	–	(60,000)	3.62
Outstanding options, end of period	214,186	$ 6.26	2,204,219	$ 2.89	100,000	$ 2.98	2,518,405	$ 3.18
Exercisable options, end of period	214,186	$ 6.26	1,197,224	$ 3.06	–	$ 2.98	1,411,410	$ 3.55

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

There were no stock options or warrants granted during the 13 week period ended May 4, 2024 (13 week period ended April 29, 2023 - $394).

(In thousands of Canadian dollars, except share and per share amounts)

The fair value of the stock options and Warrants issued were estimated at the date of grant using the Black Scholes model and used the following assumptions:

	May 4, 2024	April 29, 2023
Expected volatility	N/A	33.0% – 33.6%
Share price at grant date	N/A	\$3.00 – \$3.00
Exercise price	N/A	\$2.98 – \$3.00
Risk-free interest rate	N/A	2.77% – 2.86%
Expected term	N/A	5.5 years – 6.5 years
Fair value per option	N/A	\$1.09 – \$1.17

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

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

May 4, 2024 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	911,525	15,985	911,525
Granted	–	–	37,525	–	37,525
Units, end of period	15,985	–	949,050	15,985	949,050

April 29, 2023 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	779,695	15,985	779,695
Granted	–	–	29,529	–	29,529
Units, end of period	15,985	–	809,224	15,985	809,224

There were no RSUs granted during the 13 week periods ended May 4, 2024 and April 29, 2023. There were 15,985 RSUs vested as at May 4, 2024 (April 29, 2023 – 15,985).

The fair value of DSUs granted during the 13 weeks period ended May 4, 2024 was \$90 (13 week period ended April 29, 2023 – \$90).

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

The grant date fair value of share-based compensation awards granted to employees is recognized as share-based compensation expense, recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus, over the period that the recipients unconditionally become entitled to the awards. The Company recorded share-based compensation expense of $91 during the 13 week period ended May 4, 2024 (13 week period ended April 29, 2023 - $100).

9. Other assets

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

The Company elected, upon initial recognition, to present changes in the fair value of the Mr. Saturday Shares in other comprehensive income (loss) as the Company determined they are not held-for-trading. As at May 4, 2024, the Mr. Saturday Shares had a fair value of $300 (April 29, 2023 - $300), resulting in no gain or loss for the period ended May 4, 2024.

10. Financial risk management

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

(a) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company prepares cash flow forecasts to ensure it has sufficient funds through operations and access to debt facilities to meet its financial obligations. The Company maintains the Credit Facilities, as described in Note 5, allowing it to access funds for operations. Continued compliance with the covenants under the Credit Facilities is dependent on the Company achieving financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-compliance, the Company’s lenders have the right to demand repayment of the amounts outstanding under the current lending agreements or pursue other remedies including provision of waivers for financial covenants.

(In thousands of Canadian dollars, except share and per share amounts)

The contractual maturities of the Company's current and long-term financial liabilities as at May 4, 2024, excluding interest payments, are as follows:

	Carrying amount	Contractual cash flows	Remaining to maturity: Under 1 year	1 – 3 years	3 – 5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	$ 20,240	$ 20,240	$ 20,240	$ –	$ –	$ –
Long-term debt	44,119	45,198	4,024	41,174	–	–
Lease liabilities	75,573	90,673	23,546	37,846	20,752	8,529
	$ 139,932	$ 156,111	$ 47,810	$ 79,020	$ 20,752	$ 8,529

(b) Currency risk:

The Company is exposed to foreign exchange risk on foreign currency denominated financial assets and liabilities. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed pre-tax net income (loss) for the 13 week period ended May 4, 2024 by $143 (April 29, 2023 – $121), as a result of the revaluation on these financial assets and liabilities.

The Company purchases a significant amount of its merchandise in U.S. dollars and enters into forward contracts to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income (loss) for the 13 week period ended May 4, 2024 by $2,082 (April 29, 2023 – $1,639), as a result of the revaluation on the Company's forward contracts.

(c) Interest rate risk:

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under the Credit Facilities. As at May 4, 2024, the Company continues to hedge its exposure to the volatility of the interest rate on $40,000 of its long-term debt under its Credit Facilities (April 29, 2023 - $40,000), reducing the impact of market fluctuations in interest rates on pre-tax net income (loss). A one percentage point change in the applicable interest rate would have changed pre-tax net income (loss) for the 13 week period ended May 4, 2024 by $16 (April 29, 2023 – $44).

(d) Credit risk:

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

As at May 4, 2024, the Company's maximum exposure to credit risk for accounts receivable was $4,224 (April 29, 2023 – $2,806).

(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 net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization ("EBITDA") as a measure of its ability to service its debt and meet other financial obligations as they become due.

11. Income taxes recovery

Income taxes recovery for the 13 week period ended May 4, 2024 was $3,113 (13 week period ended April 29, 2023 – $2,828), resulting in an effective income taxes recovery rate for the 13 week period ended May 4, 2024 of 25.9% (13 week period ended April 29, 2023 – 26.2%). The decrease in the effective tax recovery rate for the 13 week period ended May 4, 2024 as compared to the 13 week period ended April 29, 2023 was from changes in the estimated statutory tax rate for the full fiscal year.

12. Related party transactions

The Company's related parties include key management personnel and key shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight") beneficially own approximately 51.0% of the total issued and outstanding Shares. Shareholders of a company formerly known as Roots Canada Ltd., through their wholly-owned entities (the "Founders"), beneficially own approximately 13.0% of the total issued and outstanding Shares. All transactions described below are in the normal course of business and have been accounted for at their exchange value.

The Company leases the building for its leather factory, from a company that is under common control of the Founders. For the 13 week period ended May 4, 2024, the rent expense that relates to the lease of this property was $182 (13 week period ended April 29, 2023 - $71).

13. Subsequent Events

On June 7, 2024, the Company amended its Credit Agreement to adjust certain definitions and covenant limits. The costs incurred by the Company associated with the amendment will be recorded as debt financing costs within long-term debt and will be recognized in interest expense over the remaining term of the loan.