



ROOTS CORPORATION

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

(Third Quarter Ended November 2, 2024)

The following Management's Discussion and Analysis ("**MD&A**") dated December 10, 2024 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Roots Corporation (together with its consolidated subsidiaries, referred to herein as "**Roots**", the "**Company**", "**us**", "**we**" or "**our**"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the 13 week and 39 week periods ended November 2, 2024. This MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements for the 13 week and 39 week periods ended November 2, 2024, including the related notes thereto (the "**Interim Financial Statements**"), and our audited consolidated financial statements for the 53 week fiscal year ended February 3, 2024, including the related notes thereto (the "**Annual Financial Statements**") and the related Management's Discussion and Analysis.

BASIS OF PRESENTATION

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

All references in this MD&A to "**Q3 2024**" are to the 13 week period ended November 2, 2024, and all references to "**Q3 2023**" are to the 13 week period ended October 28, 2023. All references in this MD&A to "**YTD 2024**" are to the 39 week period ended November 2, 2024, and all references to "**YTD 2023**" are to the 39 week period ended October 28, 2023. All references in this MD&A to "**F2024**" are to the 52 week period ending February 1, 2025, all references to "**F2023**" are to the 53 week period ended February 3, 2024, and all references to "**F2022**" are to the 52 week period ended January 28, 2023.

The Interim Financial Statements and this MD&A were reviewed by our Audit Committee and approved by our Board of Directors (the "**Board**") on December 10, 2024.

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

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES AND INDUSTRY METRICS

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

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

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

"Adjusted EBITDA" is a non-IFRS measure and is defined as EBITDA, adjusted for the impact of certain items, including share-based compensation expense, asset impairment expense, purchase price accounting adjustments, executive recruitment and severance costs, legal costs outside the normal course of operations, provisions on inventory no longer aligned with our strategic product direction, and other non-cash items and/or items that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult. Adjusted EBITDA also excludes the impact of IFRS 16 – *Leases* ("**IFRS 16**") and includes rent expense, a significant expense for our corporate retail stores. We believe that Adjusted EBITDA is useful, to both management and investors, in assessing the underlying performance of our ongoing operations and our ability to generate cash flows to fund our cash requirement. The IFRS measurement most directly comparable to Adjusted EBITDA is net income (loss) .

"Adjusted Net Income (Loss)" is a non-IFRS measure and is defined as net income (loss), adjusted for the impact of certain items, including share-based compensation expense, asset

impairment expense, purchase price accounting adjustments, executive recruitment and severance costs, legal costs outside the normal course of operations, provisions on inventory no longer aligned with our strategic product direction, and other non-cash items and/or items that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult, net of related tax effects. Adjusted Net Income (Loss) also excludes the impact of IFRS 16 and includes rent expense, a significant expense for our corporate retail stores. We believe that Adjusted Net Income (Loss) is useful, to both management and investors, in assessing the underlying performance of our ongoing operations. The IFRS measurement most directly comparable to Adjusted Net Income (Loss) is net income (loss).

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

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

Due to the impacts that COVID-19 had on the apparel retail operating environment, including periods of temporary store closures, phased re-openings and retail store operating limitations, the Company did not report Comparable Sales during F2022. With the impacts of COVID-19 having substantially dissipated, the Company resumed reporting Comparable Sales beginning F2023.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the “Risks and Uncertainties” section of this MD&A and in the “Risk Factors” section of our annual information form (“AIF”). A copy of the AIF can be accessed under our profile on the System for Electronic Document Analysis and Retrieval (“SEDAR+”) at www.sedarplus.ca and on our website at www.roots.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

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

OVERVIEW

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand, which as of November 2, 2024, operated 104 corporate retail stores and 9 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.

On October 14, 2015, Searchlight Capital Partners, L.P. ("**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., former wholly-owned subsidiary Roots U.S.A., Inc. Roots America L.P., entities controlled by our founders Michael Budman and Don Green (the "**Founders**"), and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015 (the "**Acquisition**"). Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada".

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

Real Estate

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

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Number of stores, beginning of period	106	106	106	108	107
New stores	1	—	—	—	1
Permanently closed stores	(1)	—	—	(2)	—
Number of stores, end of period	106	106	106	106	108
Stores renovated or relocated	—	—	3	2	2
Short-term pop-up locations, in addition to above store count	9	10	8	11	13

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

FACTORS AFFECTING OUR PERFORMANCE

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

Brand Awareness

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

Our Omni-Channel Business

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

- locate your desired store online;
- order online and collect in-store;
- order in-store for home delivery;
- shop anytime, anywhere at roots.com;
- obtain in-store inventory display on roots.com; and
- return goods seamlessly via any channel.

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

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

Retail store distribution and eCommerce fulfillment are both completed at one single Roots-operated distribution centre. Being able to fulfill centrally enables us to more effectively scale and execute our omni-channel strategy. Conversely, any failure of our distribution facility to meet the demands of the Company, or to keep pace with our growth, could have a material adverse effect on our business and financial results.

Our International Operating Partner

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

Product Development and Merchandising

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

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

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

Foreign Exchange

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

Seasonality

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

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

First fiscal quarter	15%
Second fiscal quarter	15%
Third fiscal quarter	25%
Fourth fiscal quarter	45%
Total fiscal year	<u>100%</u>

Weather

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

Consumer Trends

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

Global Geopolitical and Economic Environment

Our business is also impacted by changes in the global geopolitical and economic landscapes that are beyond our control. Changes in geopolitical conditions could cause disruption in our ability to operate in, and/or source from, the affected markets. Worsening of economic conditions within the markets in which we operate, including increases in inflation rates, unemployment rates, interest rates, and consumer debt could limit the disposable income available to our customers. Volatility and uncertainty in both the geopolitical and economic landscapes could also reduce consumer confidence and reduce discretionary spending levels of consumers. We continue to closely monitor geopolitical and global economic developments and will adjust our operations, where possible, to minimize the impact to our business.

SEGMENTS

We report our results in two segments: (1) DTC and (2) Partners and Other. We measure each reportable operating segment's performance based on sales and segment gross profit. Our DTC segment comprises direct to consumer sales through our corporate retail stores and eCommerce. Our Partners and Other segment consists primarily of the wholesale of Roots-branded products to our international operating partner. Our Partners and Other segment also includes the Company's sales from its Roots-branded storefront on business-to-consumer marketplace website Tmall.com in China, royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients.

During Q3 2024, our DTC and Partners and Other segments contributed 81.0% and 19.0% of our sales, respectively (Q3 2023 – 82.2% and 17.8% of our sales, respectively). During YTD 2024, the DTC and Partners and Other segments represented 80.2% and 19.8% of our sales, respectively (YTD 2023 – 80.8% and 19.2% of our sales, respectively).

SUMMARY OF FINANCIAL PERFORMANCE

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

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

CAD \$000s (except per Share data)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Statement of net income (loss) data:				
Sales	66,905	63,534	152,113	154,434
Gross profit	40,155	37,118	89,176	89,040
Gross margin	60.0%	58.4%	58.6%	57.7%
Selling, general and administrative expenses	34,507	33,788	98,334	99,132
Net income (loss)	2,390	519	(11,741)	(12,781)
Basic earnings (loss) per Share	\$0.06	\$0.01	\$(0.29)	\$(0.31)
Diluted earnings (loss) per Share	\$0.06	\$0.01	\$(0.29)	\$(0.31)
Non-IFRS Measures and Other Performance Measures:				
Corporate retail stores, end of period	106	108	106	108
Comparable Sales ⁽¹⁾ growth (decline)	5.8%	(7.4%)	0.1%	(5.5%)
EBITDA ⁽¹⁾	12,964	10,688	12,701	12,154
Adjusted EBITDA ⁽¹⁾	7,115	5,522	(3,975)	(3,309)
Adjusted Net Income (Loss) ⁽¹⁾	2,775	1,327	(9,960)	(10,311)
Adjusted Net Income (Loss) per Share ⁽¹⁾	\$0.07	\$0.03	\$(0.25)	\$(0.25)
Net Debt ⁽¹⁾	n/a	n/a	46,921	52,912

Notes:

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

RECONCILIATION OF NON-IFRS MEASURES

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

CAD \$000s	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net income (loss)	2,390	519	(11,741)	(12,781)
<i>Add the impact of:</i>				
Interest expense ^(a)	2,389	2,552	6,693	7,124
Income taxes expense (recovery) ^(a)	869	259	(4,110)	(4,435)
Depreciation and amortization ^(a)	7,316	7,358	21,859	22,246
EBITDA	12,964	10,688	12,701	12,154
<i>Adjust for the impact of:</i>				
SG&A: Rent expense excluded from net income (loss) as a result of IFRS 16 ^(a)	(5,957)	(5,792)	(17,438)	(17,352)
SG&A: Purchase accounting adjustments ^(b)	(25)	(12)	(38)	(33)
SG&A: Stock option expense ^(c)	–	99	137	332
SG&A: Changes in key personnel ^(d)	129	404	661	1,453
SG&A: Non-recurring legal fee ^(e)	4	87	2	87
SG&A: Other non-recurring items ^(f)	–	48	–	50
Adjusted EBITDA^(h)	7,115	5,522	(3,975)	(3,309)

CAD \$000s	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Net income (loss)	2,390	519	(11,741)	(12,781)
<i>Reverse the impact of IFRS 16:</i>				
Rent expense excluded from net income (loss) ^(a)	(5,957)	(5,792)	(17,438)	(17,352)
Depreciation on ROU assets ^(a)	4,530	4,440	13,524	13,467
Interest on lease liabilities ^(a)	1,261	1,214	3,794	3,508
Deferred tax expense impact ^(a)	44	36	32	99
Total IFRS 16 impacts reversed	(122)	(102)	(88)	(278)
<i>Adjust for the impact of:</i>				
SG&A: Purchase accounting adjustments ^(b)	(25)	(12)	(38)	(33)
SG&A: Stock option expense ^(c)	–	99	137	332
SG&A: Changes in key personnel ^(d)	129	404	661	1,453
SG&A: Non-recurring legal fees ^(e)	4	87	2	87
SG&A: Other non-recurring items ^(f)	–	48	–	50
SG&A: Amortization of intangible assets acquired by Searchlight ^(g)	575	575	1,726	1,726
Total adjustments	683	1,201	2,488	3,615
Tax effect of adjustments	(176)	(291)	(619)	(867)
Adjusted Net Income (Loss)⁽ⁱ⁾	2,775	1,327	(9,960)	(10,311)
Adjusted Net Income (Loss) per Share⁽ⁱ⁾	0.07	0.03	(0.25)	(0.25)

Notes:

- (a) The impact of IFRS 16 in Q3 2024 and Q3 2023 was: (i) an decrease to selling, general, and admin (“SG&A”) expenses of \$1,427 and \$1,352, respectively, which comprised the impact of depreciation and lease modifications on the right-of-use (“ROU”) assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase of \$1,261 and \$1,214 in interest expense, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax expense (recovery) impact of \$44 and \$36, respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded. The impact of IFRS 16 in YTD 2024 and YTD 2023 was: (i) an decrease to SG&A expenses of \$3,914 and \$3,885, respectively, which comprised the impact of depreciation and lease modifications on the ROU assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$3,794 and \$3,508, respectively, arising from interest expense

recorded on the lease liabilities in the period, and (iii) a deferred tax expense (recovery) impact of \$32 and \$99, respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded.

- (b) As a result of the Acquisition, the Company recognized an intangible asset for lease arrangements in the amount of \$6,310, which when excluding the impacts of IFRS 16, is amortized over the life of the leases and included in SG&A expenses. If the Acquisition had not occurred, such intangibles would not have been recognized and, consequently, the associated expenses would not have been incurred.
- (c) Represents non-cash share-based compensation expense in respect of our Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Equity Incentive Plan.
- (d) Represents expenses incurred in respect of the Company's efforts to recruit for vacancies in key management positions and severance costs associated with employee separations relating to such positions.
- (e) Represents non-recurring legal costs that are outside the scope of normal operations.
- (f) In Q3 2023 and YTD 2023, represents one-time costs that do not reflect the underlying profitability of the business, including consulting fees related to inventory valuations used to explore alternative financing options with lower interest costs.
- (g) As a result of the Acquisition, intangibles relating to customer relationships of \$7,766 with a useful life of 10 years and licensing arrangements of \$25,910 with useful lives ranging from 4 to 13 years were recognized in accordance with IFRS 3, *Business Combinations*. The amortization expense resulting from the recognition of these intangible assets are non-cash in nature and are a direct result of the Acquisition. If the Acquisition had not occurred, such intangibles would not have been recognized and, consequently, the associated expenses would not have been incurred.
- (h) Adjusted EBITDA excludes the impact of IFRS 16. If the impact of IFRS 16 was included for Q3 2024 and Q3 2023, Adjusted EBITDA would have been \$13,097 and \$11,326, respectively. If the impact of IFRS 16 was included for YTD 2024 and YTD 2023, Adjusted EBITDA would have been \$13,501 and \$14,076, respectively.
- (i) Adjusted Net Income (Loss) excludes the impact of IFRS 16 in Q3 2024 and Q3 2023. If the impact of IFRS 16 was included for Q3 2024 and Q3 2023, Adjusted Net Income (Loss) would have been \$2,915 and \$1,438, respectively. If the impact of IFRS 16 was included for YTD 2024 and YTD 2023, Adjusted Net Income (Loss) would have been \$(9,844) and \$(10,009) respectively.
- (j) Adjusted Net Income (Loss) per Share has been calculated based on the weighted average number of Shares outstanding during the period. The weighted average number of Shares during Q3 2024 and Q3 2023 was 40,250,213 and 40,230,712, respectively. The weighted average number of Shares during YTD 2024 and YTD 2023 was 40,250,213 and 40,803,481, respectively.

Selected Financial Results for Q3 2024 Compared to Q3 2023

- Total sales increased by \$3,371, or 5.3%, to \$66,905 in Q3 2024, from \$63,534 in Q3 2023.
 - DTC sales increased by \$2,006, or 3.8%, in Q3 2024, compared to Q3 2023. Comparable Sales⁽¹⁾ growth was 5.8%.
 - Partners and Other sales increased by \$1,365, or 12.0%, in Q3 2024, compared to Q3 2023.
- Gross profit increased by \$3,037, or 8.2%, to \$40,155 in Q3 2024, from \$37,118 in Q3 2023.
 - DTC gross profit increased by \$2,112, or 6.5%, to \$34,667 in Q3 2024, from \$32,555 in Q3 2023. DTC gross profit as a percentage of sales ("**DTC gross margin**") increased to 64.0% in Q3 2024, from 62.4% in Q3 2023.
- SG&A expenses increased by \$719, or 2.1%, to \$34,507 in Q3 2024, from \$33,788 in Q3 2023.
- Adjusted EBITDA⁽¹⁾ increased by \$1,593, or 28.8%, to \$7,115 in Q3 2024 from \$5,522 in Q3 2023.
- Net income increased by \$1,871, or 360.5%, to \$2,390 in Q3 2024, from \$519 in Q3 2023.
- Adjusted Net Income (Loss)⁽¹⁾ increased by \$1,448, or 109.1%, to \$2,775 in Q3 2024, from \$1,327 in Q3 2023.
- Basic earnings per Share increased to \$0.06 in Q3 2024, from \$0.01 in Q3 2023.
- Adjusted Net Income (Loss) per Share⁽¹⁾ increased to \$0.07 in Q3 2024, from \$0.03 in Q3 2023.

Selected Financial Results for YTD 2024 Compared to YTD 2023

- Total sales decreased by \$2,321, or 1.5%, to \$152,113 in YTD 2024, from \$154,434 in YTD 2023.
 - DTC sales decreased by \$2,681, or 2.1%, in YTD 2024, compared to YTD 2023.
 - Partners and Other sales increased by \$360, or 1.2%, in YTD 2024, compared to YTD 2023.
- Gross profit increased by \$136, or 0.2%, to \$89,176 in YTD 2024, from \$89,040 in YTD 2023.
 - DTC gross profit decreased by \$865, or 1.1%, to \$76,653 in YTD 2024, from \$77,518 in YTD 2023. DTC gross margin increased to 62.8% in YTD 2024, from 62.2% in YTD 2023.
- SG&A expenses decreased by \$798, or 0.8%, to \$98,334 in YTD 2024, from \$99,132 in YTD 2023.

- Adjusted EBITDA⁽¹⁾ decreased by \$666 or 20.1%, to \$(3,975) in YTD 2024, from \$(3,309) in YTD 2023.
- Net income (loss) improved by \$1,040 or 8.1%, to \$(11,741) in YTD 2024, from \$(12,781) in YTD 2023.
- Adjusted Net Income (Loss)⁽¹⁾ improved by \$351 or 3.4%, to \$(9,960) in YTD 2024, from \$(10,311) in YTD 2023.
- Basic earnings (loss) per Share improved to \$(0.29) in YTD 2024, from \$(0.31) in YTD 2023.
- Adjusted Net Income (Loss) per Share⁽¹⁾ was flat at \$(0.25) in both YTD 2024 and YTD 2023.

Note:

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

COMPONENTS OF OUR RESULTS OF OPERATIONS

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

Sales

Sales in our DTC segment includes sales through our corporate retail stores in North America and through our eCommerce operations. Sales to customers through our corporate retail stores are recognized at the time of purchase, net of a provision for returns. eCommerce sales are recognized at the time of delivery, net of a provision for returns. The provision for returns is estimated based on the historical return rate for retail stores and eCommerce sales, respectively.

Sales in our Partners and Other segment consist primarily of the wholesale of Roots-branded products to our international operating partner. The Partners and Other segment also includes the Company's sales from its Roots-branded storefront on business-to-consumer marketplace website Tmall.com in China, royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients. Wholesale sales are recognized when the performance obligations of goods delivery have been passed to the customer which, depending on the specific contractual terms of each customer, is either at the time of shipment by Roots or receipt by the customer. Contractually, our international partner and wholesale partners are unable to return goods purchased from us. Royalty sales are earned and recognized on an accrual basis in accordance with the various contractual agreements, at the later of (i) sales of licensed goods as reported by our international partner and other third-party licensees, and (ii) when all performance obligations pertaining to the royalty have been satisfied.

Gross Profit

Gross profit is sales less cost of goods sold. Cost of goods sold includes the cost of purchasing products from manufacturers, including direct purchase costs, freight costs, and duty and non-refundable taxes. For select leather products manufactured by us in-house, cost of goods sold includes the cost of manufacturing our products, including raw materials, direct labour and overhead, plus freight costs. Cost of goods sold also includes variable distribution centre costs incurred to prepare our inventory for sale.

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

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

Selling, General and Administrative Expenses

SG&A expenses consist of selling costs to market and deliver our products, depreciation of store and eCommerce assets, non-cash fixed asset and ROU asset impairments, and costs incurred to support the relationships with our retail partners, wholesale distributors, and licensees. SG&A expenses also include our marketing and brand investment activities, and the corporate infrastructure required to support our ongoing business.

General and administrative expenses represent costs incurred in our corporate offices, primarily related to personnel costs, including salaries, variable-incentive compensation, benefits, share-based compensation, and marketing costs. It also includes rent and depreciation and amortization expenses for all office support assets and intangible assets.

SG&A expenses 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 substantial portion of these costs are relatively fixed.

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

Interest Expense

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

Income Taxes

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

RESULTS OF OPERATIONS

Analysis of Results for Q3 2024 as compared to Q3 2023 and YTD 2024 as compared to YTD 2023

The following section provides an overview of our financial performance during Q3 2024 compared to Q3 2023 and during YTD 2024 compared to YTD 2023.

Sales

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

CAD \$000s	Q3 2024	Q3 2023	% Change	YTD 2024	YTD 2023	% Change
DTC	54,209	52,203	3.8%	122,031	124,712	(2.1%)
Partners and Other	12,696	11,331	12.0%	30,082	29,722	1.2%
Total Sales	66,905	63,534	5.3%	152,113	154,434	(1.5%)

Total sales were \$66,905 in Q3 2024 as compared to \$63,534 in Q3 2023, representing an increase of \$3,371, or 5.3%.

DTC sales increased \$2,006, or 3.8%, in Q3 2024 as compared to Q3 2023, while Comparable Sales grew by 5.8% in Q3 2024. The year-over-year sales growth was driven by strong performance of our active and core fleece collections, and an improved inventory position in these areas, which led to an improvement in store conversion. This was partially offset by closures of select stores since Q3 2023, as part of our ongoing store fleet optimization initiatives to consolidate less profitable stores and drive comparable sales growth.

Sales in the Partners and Other segment increased by \$1,365, or 12.0%, in Q3 2024 as compared to Q3 2023. The year-over-year increase was primarily driven by increased sales to our international operating partner in Taiwan, as a result of earlier timing of Q3 2023 sales that benefitted the second quarter of fiscal 2023, in addition to higher royalties from the licensing of the Roots brand to select manufacturing partners.

Total sales were \$152,113 in YTD 2024 as compared to \$154,434 in YTD 2023, representing a decrease of \$2,321, or 1.5%.

DTC sales decreased by \$2,681, or 2.1%, in YTD 2024 as compared to YTD 2023. The decrease was primarily driven in the first half of fiscal 2024 by lower markdown sales and missed sales opportunities in certain core fleece collections due to lower inventory as a result of stronger than anticipated demand near the end of F2023. This was partially offset by year-over-year DTC sales growth in Q3 2024, as described above.

Sales in the Partners and Other segment increased by \$360, or 1.2%, during YTD 2024 as compared to YTD 2023. The increase was primarily driven by increased wholesale orders of Roots-branded products to select retail partners and higher royalties from the licensing of the Roots brand to select manufacturing partners, partially offset by lower sales to our international operating partner in Taiwan.

Gross Profit

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

CAD \$000s	Q3 2024	Q3 2023	% Change	YTD 2024	YTD 2023	% Change
DTC	34,667	32,555	6.5%	76,653	77,518	(1.1%)
Partners and Other	5,488	4,563	20.3%	12,523	11,522	8.7%
Total Gross Profit	40,155	37,118	8.2%	89,176	89,040	0.2%

Gross Margin	Q3 2024	Q3 2023	YTD 2024	YTD 2023
DTC	64.0%	62.4%	62.8%	62.2%
Partners and Other	43.2%	40.3%	41.6%	38.8%
Total Gross Margin	60.0%	58.4%	58.6%	57.7%

Gross profit was \$40,155 in Q3 2024, as compared to \$37,118 in Q3 2023, representing an increase of \$3,037, or 8.2%.

Gross profit in the DTC segment increased \$2,112, or 6.5%, in Q3 2024 as compared to Q3 2023. The increase in gross profit was driven by increased sales volumes, and higher DTC gross margin on those sales. DTC gross margin was 64.0% in Q3 2024, as compared to 62.4 % in Q3 2023, an increase of 160 basis points (“bps”). DTC gross margin increased by 250 bps from product margin expansion, comprised of improved product costing and lower discounting. This was partially offset by the unfavourable foreign exchange impact on U.S. dollar inventory purchases.

Gross profit in the Partners and Other segment increased by \$925, or 20.3%, in Q3 2024 as compared to Q3 2023. The increase in gross profit in the Partners and Other segment was driven by increased royalties from the licensing of the Roots brand to select manufacturing partners, and increased sales to our international operating partner in Taiwan.

Gross profit was \$89,176 during YTD 2024 as compared to \$89,040 in YTD 2023, representing an increase of \$136, or 0.2%.

Gross profit in the DTC segment decreased \$865, or 1.1%, in YTD 2024 as compared to YTD 2023. The decrease in gross profit was primarily driven by lower sales volumes, partially offset by improvement in gross margin. DTC gross margin was 62.8% in YTD 2024, as compared to 62.2% in YTD 2023, an increase of 60 bps. DTC gross margin increased by 240 bps of product margin expansion, comprised of improved costing and lower discounting. This was offset primarily by unfavourable foreign exchange impact on U.S. dollar purchases, the timing of certain duty recoveries received, and lower benefits from the release of non-cash inventory provisions in YTD 2024 as compared to YTD 2023, which were accrued at the prior year-end.

Gross profit in the Partners and Other segment increased by \$1,001, or 8.7%, during YTD 2024 as compared to YTD 2023. The year-over-year increase in gross profit in the Partners and Other segment was driven by higher royalties from the licensing of the Roots brand to select manufacturing partners and increased higher-margin wholesale orders of Roots-branded products to select retail partners.

Selling, General and Administrative Expenses

SG&A expenses were \$34,507 in Q3 2024 as compared to \$33,788 in Q3 2023, representing an increase of \$719, or 2.1%. The year-over-year increase in SG&A expenses in Q3 2024 was driven by higher personnel costs as a result of legislative minimum wage increases, and higher variable selling costs from increased DTC sales.

SG&A expenses were \$98,334 in YTD 2024 as compared to \$99,132 in YTD 2023, representing a decrease of \$798, or 0.8%. The year-over-year decrease in SG&A expenses in YTD 2024 was driven by lower variable selling costs from lower DTC sales, partially offset by higher store personnel costs as a result of legislative minimum wage increases.

Interest Expense

Interest expense was \$2,389 in Q3 2024 as compared to \$2,552 in Q3 2023, representing a decrease of \$163, or 6.4%. During YTD 2024, interest expense was \$6,693 as compared to \$7,124 during YTD 2023, representing a decrease of \$431, or 6.0%.

The decrease in interest expense was primarily driven by a decrease in the weighted average effective interest rate as compared to Q3 2023, and lower debt outstanding (see “Indebtedness”).

Income Taxes Expense (Recovery)

Income taxes expense was \$869 in Q3 2024, as compared to \$259 in Q3 2023. The effective tax expense rates for Q3 2024 and Q3 2023 were 26.7% and 33.3%, respectively. The decrease in the effective tax rate for Q3 2024 as compared to Q3 2023 was primarily attributable to lower share-based compensation expenses and certain legal costs which were non-deductible.

Income taxes recovery was \$(4,110) in YTD 2024, as compared to \$(4,435) in YTD 2023. The effective tax recovery rates for YTD 2024 and YTD 2023 were 25.9% and 25.8%, respectively. The increase in the income taxes recovery rate in YTD 2024 was attributable to lower non-deductible stock option expenses.

Net Income (Loss)

Net income (loss) was \$2,390 in Q3 2024 as compared to \$519 in Q3 2023, representing an increase of \$1,871. During YTD 2024, net income (loss) was \$(11,741) as compared to \$(12,781) in YTD 2023, representing an improvement of \$1,040.

The changes to net income (loss) 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 has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

CAD \$000s (except per Share data) (Unaudited)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Sales	66,905	47,747	37,461	108,234	63,534	49,404	41,496	111,461
Net Income (Loss)	2,390	(5,236)	(8,895)	14,621	519	(5,334)	(7,966)	12,980
Net Earnings (Loss) per Share:								
Basic earnings (loss) per Share . . .	\$ 0.06	\$ (0.13)	\$ (0.22)	\$ 0.36	\$ 0.01	\$ (0.13)	\$ (0.19)	\$ 0.31
Diluted earnings (loss) per Share . .	\$ 0.06	\$ (0.13)	\$ (0.22)	\$ 0.36	\$ 0.01	\$ (0.13)	\$ (0.19)	\$ 0.31
Other Performance Measures								
Comparable Sales ⁽¹⁾ growth (decline)	5.8%	(0.2%)	(8.2%)	(3.7%)	(7.4%)	(4.2%)	(3.8%)	n/a
Corporate retail stores, end of period	106	106	106	106	108	107	108	109
Short-term pop-up locations, end of period	9	10	8	11	13	13	12	12

Note:

- (1) Comparable Sales was not calculated for any fiscal quarters during F2022 as a result of the impacts of COVID-19. Please see "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics".

See "Result of Operations" for discussion on Q3 2024 results.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Inventory

Inventory was \$60,370 at November 2, 2024, compared to \$61,381 at October 28, 2023, representing a decrease of \$1,011, or 1.6%.

The year-over-year decrease in inventory was driven by a reduction in pack-and-hold and off-price inventory, largely offset by increases in current and upcoming season styles, reflecting an improvement to the inventory composition.

Cash Flows

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

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

CAD\$000s	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Cash generated from (used in) operating activities	(827)	4,146	(11,348)	(5,493)
Cash generated from (used in) financing activities	5,465	(3,211)	(6,035)	(18,215)
Cash used in investing activities	(1,664)	(928)	(5,322)	(3,627)
Change in cash	2,974	7	(22,705)	(27,335)

Analysis of Cash Flows for Q3 2024 and YTD 2024 compared to Q3 2023 and YTD 2023

Cash generated from (used in) Operating Activities

Q3 2024 cash generated from (used in) operating activities amounted to \$(827) compared to \$4,146 in Q3 2023. The year-over-year increase in cash used was attributable to a return to seasonal inventory purchase cadences, and later timing of revenue from our Partner’s & Other segment. Inventory purchases were reduced in Q3 2023 as a result of higher pack and hold inventory levels carried forward from the prior fiscal year.

YTD 2024 cash used in operating activities amounted to \$(11,348) compared to \$(5,493) in YTD 2023. The year-over-year increase in cash used was attributable to changes in our working capital position from later timing of revenue from our Partner’s & Other segment YTD 2024 as compared to YTD 2023 and increased cash outflows from a return to seasonal inventory purchase cadences, partially offset by increased accounts payable and accrued liabilities.

Cash generated from (used in) Financing Activities

For Q3 2024, cash generated from (used in) financing activities amounted to \$5,465 compared to \$(3,211) in Q3 2023. The year-over-year increase in cash generated was primarily due to a larger drawing on the Revolving Credit Facility as well as lower lease payments. See “Indebtedness”.

For YTD 2024, cash used in financing activities amounted to \$(6,035) compared to \$(18,215) in YTD 2023. The year-over-year decrease in cash used in financing activities was primarily driven by no share repurchases under the normal course issuer bid (“NCIB”) in YTD 2024, as compared to repurchases of \$4,358 in YTD 2023. In addition, there was a higher net draw on our Revolving Credit Facility and lower debt repayments year-over-year. See “Factors Affecting our Performance – Seasonality”.

Cash used in Investing Activities

For Q3 2024 and YTD 2024, cash flows used in investing activities amounted to \$(1,664) and \$(5,322), respectively, compared to \$(928) and \$(3,627) in Q3 2023 and YTD 2023, respectively. The increase in cash used in investing activities was primarily due to an increase in capital expenditures to support omni-channel growth capabilities and improved store experiences.

INDEBTEDNESS

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

On April 4, 2023, the Company amended and restated the Credit Agreement to extend the maturity date of September 6, 2024 to September 6, 2026. In addition, 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**”). The terms of the Credit Agreement have also transitioned from London Interbank Offered Rate (“**LIBOR**”) and now utilize Secured Overnight Financing Rate (“**SOFR**”). There were no changes to the \$60,000 Revolving Credit Facility limit, which is inclusive of the \$10,000 swing loan portion.

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

As at November 2, 2024, the Company had a total amount outstanding under its Credit Facilities of \$53,186 (October 28, 2023 – \$58,816, February 3, 2024 – \$46,204) and had total liquidity of \$55,328 (October 28, 2023 - \$58,086, February 3, 2024 – \$ 88,033), including net cash and borrowing capacity available under the Company’s Revolving Credit Facility.

The Company has financial and non-financial covenants under the Credit Facilities. The key financial covenants include covenants for total net debt to Adjusted EBITDA ratio (“**Leverage Ratio**”), and fixed charge coverage ratio. Adjusted EBITDA used in the calculation of our key financial covenants may differ from the Adjusted EBITDA non-IFRS measure as defined in this MD&A. As at November 2, 2024, the Company was in compliance with all covenants.

Reconciliation of Leverage Ratio

CAD \$000s	As at		
	November 2, 2024	October 28, 2023	February 3, 2024
Long-term debt ⁽¹⁾	\$ 52,249	\$ 57,498	\$ 45,010
Less: cash	(5,328)	(4,586)	(28,033)
Net debt	\$ 46,921	\$ 52,912	\$ 16,977
Trailing 12-month Adjusted EBITDA	19,189	20,215	26,967
Leverage ratio	2.4x	2.6x	0.6x

Notes:

- (1) Total long-term debt of \$52,249 at November 2, 2024 is net of \$937 unamortized long-term debt financing costs. As at October 28, 2023, total long-term debt of \$57,498 is net of \$1,318 unamortized long-term debt financing costs. As at February 3, 2024, total long-term debt of \$45,010 is net of \$1,194 unamortized long-term debt financing costs.

The Credit Facilities bear interest according to the type of borrowing advanced, which may be based on a reference rate of the U.S. base rate or the Canadian prime rate, plus a margin that ranges from 175 to 300 bps or the SOFR rate or CORRA rate, plus a margin that ranges from 275 to 400 bps. The applicable margins are derived from our Leverage Ratio, as follows: (i) where the U.S. base rate or a Canadian prime rate is used, the margins range from 175 bps at less than 2.0x Leverage Ratio, to 300 bps at greater than or equal to 3.5x Leverage Ratio; and (ii) where the SOFR rate or CORRA rate is used, the margins range from 275 bps at less than 2.0x Leverage Ratio, to 400 bps at greater than or equal to 3.5x Leverage Ratio. During Q3 2024, the weighted average effective interest rate of the Credit Facilities was 7.7%, decreasing from 7.8% in Q3 2023 due to decreases in the underlying market interest rates.

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

CAD \$000s	Term	Revolving
	Credit Facility	Credit Facility
Within 1 year	4,024	-
Between 1 - 2 years	3,018	-
Between 2 - 3 years	36,144	10,000
Total	43,186	10,000

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as of November 2, 2024:

CAD\$000s	Remainder of						Total
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Thereafter	
Term Credit Facility ⁽¹⁾	1,006	4,024	38,156	–	–	–	43,186
Revolving Credit Facility	–	–	10,000	–	–	–	10,000
Interest commitments relating to long-term debt ⁽²⁾	709	2,672	1,831	–	–	–	5,212
Payments on lease liabilities	6,089	22,982	19,783	15,329	11,589	23,268	99,040
Inventory purchase commitments ⁽³⁾	11,176	11,953	–	–	–	–	23,129
Total commitments and obligations	18,980	41,631	69,770	15,329	11,589	23,268	180,567

Notes:

- (1) The repayment of the Term Credit Facility may occur prior to the mandatory repayment time if certain events occur and/or at the discretion of the Company.
- (2) Based on the interest rate in effect as of November 2, 2024, and assuming no prepayments are made to the Term Credit Facility.
- (3) Inventory purchase commitments reflect the cost (excluding duties and shipping) of outstanding inventory purchases ordered from our vendors and expected to be received within the period, excluding in-transit purchases that have already been recorded in inventory. Inventory purchases are part of the normal course of our business and will be primarily funded through sales in our DTC segment.

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

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

FINANCIAL INSTRUMENTS

We have designated derivative financial instruments as cash flow hedges to manage our exposure to 1) foreign exchange on a portion of our U.S. dollar denominated purchases and 2) variable interest rates on our Credit Facilities. 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 the effectiveness of the cash flow hedges.

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

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

As at November 2, 2024, the Company has recorded derivative assets of \$926 (October 28, 2023 – \$588, February 3, 2024 – \$34), representing forward contracts to buy US\$36,720 (October 28, 2023 – US\$16,730, February 3, 2024 – US\$30,745) of U.S. dollars at an average rate of 1.36 (October 28, 2023 – 1.35, February 3, 2024 – 1.34). As at November 2, 2024, the U.S. dollar to Canadian dollar exchange rate was 1.39 (October 28, 2023 – 1.39, February 3, 2024 – 1.35). The forward contracts have maturity dates between November 4, 2024 and October 6, 2025.

As at November 2, 2024, the Company has recorded derivative assets of \$nil (October 28, 2023 - \$345, February 3, 2024 - \$169), representing swap contracts to affix its CORRA rate at 4.4% per annum until September 6, 2024, on \$40,000 of its Credit Facilities. There were no swap contracts outstanding as at November 2, 2024 (October 28, 2023 – \$40,000, February 3, 2024 - \$40,000).

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

SHARE INFORMATION

As of December 10, 2024, there were 40,250,213 Shares issued and outstanding (September 12, 2024 – 40,250,213). There were no preferred shares issued and outstanding as of December 10, 2024.

During YTD 2024:

- 126,292 stock options were forfeited; and
- 125,391 deferred share units (“**DSUs**”) were granted under the Company’s deferred share unit plan (the **DSU Plan**”).

For Q3 2024 and YTD 2024, the Company recorded share-based compensation expenses of \$nil and \$137, respectively (Q3 2023 and YTD 2023 - \$99 and \$332, respectively).

As of November 2, 2024, 2,038,536 stock options, 100,000 Warrants, and 15,985 restricted share units (“**RSUs**”) were granted and outstanding, and 1,771,872 stock options, 33,334 Warrants, and 15,985 RSUs were vested. Each stock option, Warrant, and RSU is, or will become, exercisable for one Share.

As of November 2, 2024, 1,036,916 DSUs were outstanding under the Company’s deferred share unit plan. No Shares will be issued upon the settlement of DSUs.

For Q3 2024 and YTD 2024, the Company recorded \$(71) and \$(328), respectively as an increase (reduction) to selling, general, and administrative expenses as a result of the changes in the fair value of the DSUs (Q3 2023 and YTD 2023 - \$(362) and \$(138), respectively).

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 beneficially own approximately 51.0% of the total issued and outstanding Shares and the Founders beneficially own approximately 13.0% of the total issued and outstanding Shares. The transaction described below is in the normal course of business and has been accounted for at its exchange value.

The Company leases the building for its leather factory, from a company that is under common control of the Founders. For Q3 2024 and YTD 2024, the rent expense that relates to the lease of this property was \$182 and \$545, respectively (Q3 2023 and YTD 2023 - \$71 and \$213, respectively).

RISKS AND UNCERTAINTIES

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

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

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

Foreign Currency Exchange Risk

Our consolidated financial statements are expressed in Canadian dollars. However, a portion of our operations are transacted in U.S. dollars and we are exposed to foreign exchange risk on financial assets and liabilities denominated in foreign currencies. Sales and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates which such items are recognized. Changes in the value of foreign currencies relative to the Canadian dollar in respect of sales and costs would result in a foreign currency gain or loss impact in net income (loss). 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) by \$684 in Q3 2024 as a result of the revaluation of financial assets and liabilities denominated in foreign currencies. For Q3 2024 and YTD 2024, the Company recorded \$(292) and \$(501), respectively (Q3 2023 and YTD 2023 - \$(215) and \$(28), respectively) as an increase (reduction) to SG&A expenses as a result of the revaluation on these foreign currency denominated financial assets and liabilities.

We are also exposed to fluctuations in the prices of U.S. dollar denominated purchases resulting from changes in U.S. dollar exchange rates. A weakening Canadian dollar relative to the U.S. dollar would have a negative impact on year-over-year changes in reported net income (loss) by increasing the cost of finished goods and raw materials while a strengthening Canadian dollar relative to the U.S. dollar would have the opposite impact. As described above, we entered into certain 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 November 2, 2024, we have only variable interest rate debt. Starting in the fourth quarter of F2022, we entered into swap contracts to hedge the volatility of the underlying CORRA rate on \$40,000 of our long-term debt, through September 6, 2024. There were no interest rate swap contracts outstanding as of November 2, 2024. Based on the outstanding borrowings as discussed under "Indebtedness", a one percentage point change in the average interest rate on our borrowings would have changed interest expense by \$51 in Q3 2024. The impact of future interest rate expense resulting from changes in interest rates will depend largely on the gross amount of our borrowings at such time.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily accounts receivable. The Company's accounts receivable consist primarily of receivables from our business partners in the Partners and Other segment, which are generally settled in the following fiscal quarter.

Liquidity Risk

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

CHANGES IN DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our disclosure controls and internal controls over financial reporting in Q3 2024 that materially affected, or are likely to materially affect, the reliability of our financial reporting and preparation of our financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgments as disclosed in the Company's F2023 MD&A have been applied consistently in the preparation of this MD&A.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

measures to be disclosed in a separate note to the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027.

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

ADDITIONAL INFORMATION

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