



ROOTS CORPORATION

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

(Fiscal Year Ended January 31, 2026)

The following Management's Discussion and Analysis ("**MD&A**") dated April 8, 2026 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Roots Corporation (together with its consolidated subsidiaries, referred to herein as "**Roots**", the "**Company**", "**us**", "**we**" or "**our**"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the fourth quarter and the fiscal year ended January 31, 2026. This MD&A should be read in conjunction with our audited consolidated financial statements for the fiscal year ended January 31, 2026, including the related notes thereto (the "**Annual Financial Statements**").

BASIS OF PRESENTATION

Our 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 therein. All amounts are presented in thousands of Canadian dollars, unless otherwise indicated.

All references in this MD&A to "**Q4 2025**" are to our fiscal quarter for the 13-week period ended January 31, 2026, and all references to "**Q4 2024**" are to our fiscal quarter for the 13-week period ended February 1, 2025. All references in this MD&A to "**F2025**" are to the 52-week fiscal year ended January 31, 2026. All references in this MD&A to "**F2024**" are to the 52-week fiscal year ended February 1, 2025.

The Annual Financial Statements and this MD&A were reviewed by our Audit Committee and approved by our Board of Directors (the "**Board**") on April 8, 2026.

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

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES AND INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, net income 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", and "Net Debt"; and non-IFRS ratios including "Adjusted Net Income per share", and "Leverage Ratio". This MD&A also refers to "gross margin", "Direct to Consumer ("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" 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 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 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 is net income (loss).

“Adjusted Net Income per share” is a non-IFRS ratio and is defined as Adjusted Net Income, divided by the weighted average Shares (as defined herein) outstanding during the periods presented. We believe that Adjusted Net Income 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.

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 at the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand, which as at January 31, 2026, operated 97 corporate retail stores and 11 temporary pop-up locations in Canada, two corporate retail stores in the United States, and an eCommerce platform, roots.com. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women’s, men’s, children’s, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel At Home With Nature™. We offer products designed to meet life’s everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers.

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.

	Q4 2025	Q4 2024	F2025	F2024
Number of stores, beginning of period	101	106	100	106
New stores	—	—	1	1
Permanently closed stores	(2)	(6)	(2)	(7)
Number of stores, end of period	99	100	99	100
Stores renovated or relocated	1	2	3	5
Short-term pop-up locations, in addition to above store count, end of period.	11	8	11	8

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:

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

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

We depend on third-party logistics partners to 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; geopolitical circumstances, consumer debt; interest rates; and trade restrictions, all of which could limit the disposable income and discretionary spending levels of consumers.

Product Development and Merchandising

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

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

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

Foreign Exchange

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

Seasonality

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

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

First fiscal quarter	14%
Second fiscal quarter	17%
Third fiscal quarter	24%
Fourth fiscal quarter	45%
Total fiscal year	<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 in a profitable manner. The imposition of duties, tariffs and other trade protection measures may adversely affect our business, operations and financial condition. Worsening of economic conditions within the markets in which we operate, including increases in inflation rates, unemployment rates, interest rates, 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 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.

Our DTC and Partners and Other segments contributed 86.2% and 13.8% of our sales, respectively, in F2025 (F2024 – 84.9% and 15.1% 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)	Q4 2025	Q4 2024	F2025	F2024
Consolidated statement of net income (loss) data:				
Sales	115,463	110,808	277,679	262,921
Gross profit	71,389	67,953	170,215	157,129
Gross margin	61.8%	61.3%	61.3%	59.8%
Selling, general and administrative expenses	49,279	45,165	155,473	143,499
Impairment of intangible assets	—	50,000	—	50,000
Net income (loss)	14,690	(21,702)	4,667	(33,443)
Basic earnings (loss) per share	\$0.37	(\$0.54)	\$0.12	(\$0.83)
Diluted earnings (loss) per share	\$0.37	(\$0.54)	\$0.12	(\$0.83)
Non-IFRS Measures and Other Performance Measures:				
Corporate retail stores, end of period	99	100	99	100
Comparable Sales ⁽¹⁾ growth	7.3%	7.5%	9.5%	3.3%
EBITDA ⁽¹⁾	29,015	(19,409)	42,568	(6,708)
Adjusted EBITDA ⁽¹⁾	25,072	25,280	23,326	21,305
Adjusted Net Income ⁽¹⁾	16,299	15,987	8,444	6,027
Adjusted Net Income per share ⁽¹⁾	\$0.42	\$0.40	\$0.22	\$0.15
Net Debt ⁽¹⁾	n/a	n/a	4,251	7,349

Note:

- (1) Comparable Sales, EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income 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, and Adjusted Net Income per share for the periods presented:

CAD \$000s	Q4 2025	Q4 2024	F2025	F2024
Net income (loss)	14,690	(21,702)	4,667	(33,443)
<i>Adjust for the impact of:</i>				
Interest expense (a)	1,931	2,147	8,001	8,840
Income taxes expense (recovery) (a)	5,489	(7,657)	2,074	(11,767)
Depreciation and amortization (a)	6,905	7,803	27,826	29,662
EBITDA	29,015	(19,409)	42,568	(6,708)
<i>Adjust for the impact of:</i>				
COGS: Transition of Distribution Centre (b)	199	–	199	–
SG&A: Rent expense excluded from net income due to IFRS 16 (a)	(5,645)	(5,735)	(22,171)	(23,173)
SG&A: Purchase accounting adjustments (c)	(6)	(17)	(18)	(55)
SG&A: Stock option expense (d)	173	19	646	156
SG&A: Changes in key personnel (e)	818	218	1,581	879
SG&A: Non-recurring legal fees (f)	–	124	3	126
SG&A: Tariffs on US Web Shipments (g)	1,009	–	1,009	–
SG&A: Impairment reversal of fixed assets (h)	(523)	–	(523)	–
SG&A: Other non-recurring items (i)	32	80	32	80
Impairment of intangible assets (k)	–	50,000	–	50,000
Adjusted EBITDA^(l)	25,072	25,280	23,326	21,305

CAD \$000s	Q4 2025	Q4 2024	F2025	F2024
Net income (loss)	14,690	(21,702)	4,667	(33,443)
<i>Reverse the impact of IFRS 16:</i>				
Rent expense excluded from net income (a)	(5,645)	(5,735)	(22,171)	(23,173)
Depreciation on ROU assets (a)	4,323	4,682	16,936	18,206
Interest on lease liabilities (a)	1,311	1,330	5,049	5,124
Deferred tax impact (a)	3	(74)	49	(42)
Total IFRS 16 impacts reversed	(8)	203	(137)	115
<i>Adjust for the impact of:</i>				
COGS: Transition of Distribution Centre (b)	199	–	199	–
SG&A: Purchase accounting adjustments (c)	(6)	(17)	(18)	(55)
SG&A: Stock option expense (d)	173	19	646	156
SG&A: Changes in key personnel (e)	818	218	1,581	879
SG&A: Non-recurring legal fees (f)	–	124	3	126
SG&A: Tariffs on US Web Shipments (g)	1,009	–	1,009	–
SG&A: Impairment reversal of fixed assets (h)	(523)	–	(523)	–
SG&A: Other non-recurring items (i)	32	80	32	80
SG&A: Amortization of intangible assets acquired by Searchlight (j)	438	576	2,165	2,302
Impairment of intangible assets (k)	–	50,000	–	50,000
Total adjustments	2,140	51,000	5,094	53,488
Tax effect of adjustments	(523)	(13,514)	(1,180)	(14,133)
Adjusted Net Income^(m)	16,299	15,987	8,444	6,027
Adjusted Net Income per share⁽ⁿ⁾	\$0.42	\$0.40	\$0.22	\$0.15

Notes:

- (a) The impact of IFRS 16 in Q4 2025 and Q4 2024 was: (i) a decrease to selling, general, and administrative expenses (“SG&A”) of \$1,322 and \$1,053, respectively, which comprised the impact of depreciation, lease modifications and impairment on the right-of-use (“ROU”) assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$1,311 and \$1,330, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of \$3 and \$(74), respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded. The impact of IFRS 16 in F2025 and F2024 was: (i) a decrease to SG&A expenses of \$5,235 and \$4,967, respectively, which comprised the impact of depreciation, lease modifications and impairment on the ROU assets, net of the exclusion of rent payments from SG&A expenses, (ii) an increase in interest expense of \$5,049 and \$5,124, respectively, arising from interest expense recorded on the lease liabilities in the period, and (iii) a deferred tax impact of \$49 and \$(42), respectively, based on tax attributes on the ROU assets and lease liabilities balances recorded.
- (b) Represents consulting, implementation, and transition costs in connection to the migration of the Company’s distribution centre from its in-house facility to a third-party logistics centre, to be completed by mid-2026. The Company does not believe the costs are reflective of the underlying business results as the migration of a distribution centre is infrequent in nature.
- (c) 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.
- (d) Represents non-cash share-based compensation expense in respect of our Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Equity Incentive Plan.
- (e) 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.
- (f) Represents non-recurring legal costs that are outside the scope of normal operations.
- (g) In Q4 2025 and F2025, the Company incurred \$1,118 and \$1,508, respectively, of tariffs for goods imported into the U.S. for fulfillment of eCommerce orders. The Company has undertaken a transfer pricing study and determined that approximately 70% of the tariffs could be saved going forward under the determined structure. The adjustment of \$1,009 represents the portion of tariffs that would have been saved, had the transfer pricing structure been implemented in F2025.
- (h) Represents a non-cash impairment reversal applied against certain fixed assets for stores where the recoverable amount supports a reversal of the previously incurred impairment charges.
- (i) Represents one-time costs that do not reflect the underlying profitability of the business, including consulting fees related to transfer pricing initiatives and non-recurring settlement fees relating to the termination of certain operating contracts.
- (j) As a result of the Acquisition, intangibles relating to customer relationships of \$7,766 with a useful life of 10 years and licensing arrangements of \$25,910 with 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.
- (k) Represents a non-cash impairment charge taken against intangible assets, where the carrying amount of the assets exceeded their estimated recoverable amount. The Company does not believe the charge to be reflective of the underlying results of the business as compared to historical periods and further does not expect the impairment charge to have any impact on its future operations, nor affect its liquidity, cash flows, or compliance with any financial and operating covenants.
- (l) Adjusted EBITDA excludes the impact of IFRS 16. If the impact of IFRS 16, was included for Q4 2025 and F2025, Adjusted EBITDA would have been \$30,723 and \$45,515, respectively. If the impact of IFRS 16, net of impairments on the ROU assets, was included for Q4 2024 and F2024, Adjusted EBITDA would have been \$31,032 and \$44,533, respectively.
- (m) Adjusted Net Income excludes the impact of IFRS 16. If the impact of IFRS 16, was included for Q4 2025 and F2025, Adjusted Net Income would have been \$16,311 and \$8,594, respectively. If the impact of IFRS 16, was included for Q4 2024 and F2024, Adjusted Net Income would have been \$15,796 and \$5,952, respectively.
- (n) Adjusted Net Income per share has been calculated based on the weighted average number of Shares outstanding during the period. The weighted average number of Shares during Q4 2025 and F2025 was 39,247,062 and 38,049,388, respectively. The weighted average number of Shares during Q4 2024 and F2024 was 40,254,609 and 40,251,312, respectively.

Selected Financial Results for Q4 2025 Compared to Q4 2024

- Total sales increased by \$4,655, or 4.2%, to \$115,463 in Q4 2025, from \$110,808 in Q4 2024.
 - DTC sales increased by \$5,757, or 5.7%, to \$106,984 in Q4 2025, from \$101,227 in Q4 2024. Comparable Sales⁽¹⁾ growth was 7.3%.
 - Partners and Other sales decreased by \$1,102, or 11.5%, to \$8,479 in Q4 2025, from \$9,581 in Q4 2024.
- Gross profit increased by \$3,436, or 5.1%, to \$71,389 in Q4 2025, from \$67,953 in Q4 2024.
 - DTC gross profit increased by \$3,687, or 5.8%, to \$66,842 in Q4 2025, from \$63,155 in Q4 2024, and as a percentage of sales ("**DTC gross margin**") increased to 62.5% in Q4 2025, from 62.4% in Q4 2024.
- SG&A expenses increased by \$4,114 or 9.1%, to \$49,279 in Q4 2025, from \$45,165 in Q4 2024.
- No impairment of intangible assets was recorded in Q4 2025, compared to \$50,000 in Q4 2024.
- Adjusted EBITDA⁽¹⁾ was \$25,072 in Q4 2025, compared to \$25,280 in Q4 2024.
- Net income (loss) improved to \$14,690 in Q4 2025, from (\$21,702) in Q4 2024.
- Adjusted Net Income⁽¹⁾ increased by \$312, or 2.0%, to \$16,299 in Q4 2025, from \$15,987 in Q4 2024.
- Basic earnings (loss) per share improved to \$0.37 in Q4 2025, from (\$0.54) in Q4 2024.
- Adjusted Net Income per share⁽¹⁾ increased to \$0.42 in Q4 2025, from \$0.40 in Q4 2024.

Selected Financial Results for F2025 Compared to F2024

- Total sales increased by \$14,758, or 5.6%, to \$277,679 in F2025, from \$262,921 in F2024.
 - DTC sales increased by \$16,215, or 7.3%, to \$239,473 in F2025, from \$223,258 in F2024. Comparable Sales⁽¹⁾ growth was 9.5%.
 - Partners and Other sales decreased by \$1,457, or 3.7%, to \$38,206 in F2025, from \$39,663 in F2024.
- Gross profit increased by \$13,086, or 8.3%, to \$170,215 in F2025, from \$157,129 in F2024.
 - DTC gross profit increased by \$11,927, or 8.5%, to \$151,735 in F2025, from \$139,808 in F2024, and DTC gross margin increased to 63.4% in F2025, from 62.6% in F2024.
- SG&A expenses increased by \$11,974, or 8.3%, to \$155,473 in F2025, from \$143,499 in F2024.

- No impairment of intangible assets was recorded in F2025 compared to \$50,000 in F2024.
- Adjusted EBITDA⁽¹⁾ increased by \$2,021, or 9.5%, to \$23,326 in F2025, from \$21,305 in F2024.
- Net income (loss) improved to \$4,667 in F2025, from (\$33,443) in F2024.
- Adjusted Net Income⁽¹⁾ increased by \$2,417, or 40.1%, to \$8,444 in F2025, from \$6,027 in F2024. Adjusted Net Income was 3.0% of sales in F2025, increasing from 2.3% of sales in F2024.
- Basic earnings (loss) per share improved to \$0.12 in F2025, from (\$0.83) in F2024.
- Adjusted Net Income per share⁽¹⁾ increased to \$0.22 in F2025 from \$0.15 in F2024.

Note:

- (1) Comparable Sales, EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted Net Income per share 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.

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".

Revaluation gains and losses on cash-settled deferred share units ("**DSUs**") are recorded in SG&A expenses and are determined based on changes in the fair value of the DSUs.

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 utilized a hedging program to manage its interest rate risk related to the underlying borrowing reference rate. See "Financial Instruments".

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income taxes expense or recovery is a function of the allocation of taxable income by jurisdiction and the

various activities that impact the timing of taxable events. Over the long-term, we expect our annual effective income tax rate to be, on average, approximately 27% to 28%, subject to changes to income tax rates and legislation in the jurisdictions in which we operate.

RESULTS OF OPERATIONS

Analysis of Results for Q4 2025 as compared to Q4 2024 and F2025 as compared to F2024

The following section provides an overview of our financial performance during Q4 2025 compared to Q4 2024 and during F2025 compared to F2024.

Sales

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

CAD \$000s	Q4 2025	Q4 2024	% Change	F2025	F2024	% Change
DTC	106,984	101,227	5.7%	239,473	223,258	7.3%
Partners and Other	8,479	9,581	(11.5%)	38,206	39,663	(3.7%)
Total Sales	115,463	110,808	4.2%	277,679	262,921	5.6%

Total sales were \$115,463 in Q4 2025 as compared to \$110,808 in Q4 2024, representing an increase of \$4,655 or 4.2%.

DTC sales increased \$5,757, or 5.7%, in Q4 2025 as compared to Q4 2024. The year-over-year increase was driven by 7.3% DTC comparable sales growth in Q4 2024, up across both channels, and was driven by strong customer reception to our core and seasonal product offerings during our largest selling quarter, supported by marketing initiatives that drove DTC traffic growth and operational initiatives that improved our store conversion.

Sales in the Partners and Other segment decreased by \$1,102, or 11.5%, in Q4 2025 as compared to Q4 2024. The decrease in sales includes the unfavourable impact of \$221 in foreign exchange on U.S. dollar sales in Q4 2025, relative to Q4 2024. Excluding foreign exchange impacts, Q4 2025 sales would have decreased \$881, or 9.2%, as compared to Q4 2024. The decline in Partners and Other sales was primarily driven by lower wholesale sales to our international operating partner in Taiwan, as a result of the earlier handover of holiday and spring orders that took place in the prior quarter. This decline was partially offset by continued positive momentum in other lines of business within the segment.

Total sales were \$277,679 in F2025 as compared to \$262,921 in F2024, representing an increase of \$14,758, or 5.6%.

DTC sales increased by \$16,215, or 7.3%, in F2025 as compared to F2024. The increase reflected the continued DTC momentum from F2024, with F2025 comparable sales growth of 9.5%. This was driven by the positive customer response to our curated product offers and ongoing brand investments, supported by enhancements to our omnichannel customer experience and stronger in-stock positions of our core collections.

Sales in the Partners and Other segment decreased by \$1,457, or 3.7%, during F2025 as compared to F2024. The year-over-year decrease was entirely driven by wholesale sales to our international operating partner in Taiwan, as we continue to support the operating partner in

addressing their inventory optimization and operational opportunities. Excluding wholesale sales to our international operating partner in Taiwan, F2025 sales in this segment would have increased 23.0% as compared to F2024.

Gross Profit

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

CAD \$000s	Q4 2025	Q4 2024	% Change	F2025	F2024	% Change
DTC	66,842	63,155	5.8%	151,735	139,808	8.5%
Partners and Other	4,547	4,798	(5.2%)	18,480	17,321	6.7%
Total Gross Profit	71,389	67,953	5.1%	170,215	157,129	8.3%

Gross Margin	Q4 2025	Q4 2024	F2025	F2024
DTC	62.5%	62.4%	63.4%	62.6%
Partners and Other	53.6%	50.1%	48.4%	43.7%
Total Gross Margin	61.8%	61.3%	61.3%	59.8%

Gross profit was \$71,389 in Q4 2025, as compared to \$67,953 in Q4 2024, representing an increase of \$3,436, or 5.1%.

DTC gross profit increased \$3,687, or 5.8%, in Q4 2025 as compared to Q4 2024. The increase in gross profit was driven by increased sales volumes and higher DTC gross margin on those sales. DTC gross margin was 62.5% in Q4 2025, as compared to 62.4% in Q4 2024, an increase of 10 bps. The DTC gross margin increase was driven by 30 bps of product margin expansion, driven by ongoing product costing improvements, partially offset by several factors, including unfavourable foreign exchange impacts on U.S. dollar inventory purchases and DC transition costs.

Gross profit in the Partners and Other segment decreased by \$251, or 5.2%, in Q4 2025 as compared to Q4 2024. The decrease was primarily driven by lower sales to our international operating partner, partially offset by higher royalties earned through the licensing of our brand to select manufacturing partners.

Gross profit was \$170,215 in F2025, as compared to \$157,129 in F2024, representing an increase of \$13,086, or 8.3%.

DTC gross profit increased by \$11,927, or 8.5%, in F2025 as compared to F2024. The increase was driven by increased sales volumes, and higher DTC gross margin on those sales. DTC gross margin was 63.4% in F2025, as compared to 62.6% in F2024, an increase of 80 bps. The increase was driven by 110 bps of product margin expansion through improved costing, partially offset by the unfavourable foreign exchange impact on U.S. dollar inventory purchases.

Gross profit in the Partners and Other segment increased by \$1,159, or 6.7%, in F2025 as compared to F2024. This was driven by higher gross margin attributed to an increase in royalties earned through the licensing of our brand to select manufacturing partners and increased higher-margin wholesale orders of custom Roots-branded products to select business clients.

Selling, General and Administrative Expenses

SG&A expenses were \$49,279 in Q4 2025 as compared to \$45,165 in Q4 2024, representing an increase of \$4,114, or 9.1%. The increase was primarily driven by \$2,814 of incremental marketing costs, and \$810 in higher variable selling costs. SG&A expenses in Q4 2025 also reflect \$1,118 in incremental U.S. duties paid on eCommerce sales, \$600 of higher costs associated with changes in personnel, and \$154 of higher non-cash share-based compensation costs. These increases in SG&A expenses were offset by a \$1,559 reduction in store-related occupancy, capital depreciation, and impairment impacts, reflecting the ongoing improvements in store productivity.

SG&A expenses were \$155,473 during F2025 as compared to \$143,499 in F2024, representing an increase of \$11,974, or 8.3%. This increase was primarily driven by investments in marketing and personnel, and higher variable costs from increased sales, partially offset by lower store costs related to improved productivity. Additionally, F2025 SG&A expenses also reflect \$1,508 in incremental U.S. duties on eCommerce sales, \$695 of higher costs associated with changes in personnel, \$490 of higher non-cash share-based compensation costs, and \$668 of incremental expense from the revaluation of cash-settled instruments under our share-based compensation plan.

Impairment of Intangible Assets

During Q4 2025 and F2025, the Company recorded an impairment charge on intangible assets of \$nil, as compared to \$50,000 in Q4 2024 and F2024. In Q4 2024 and F2024, the \$50,000 impairment charge was allocated against indefinite life trade names within the Direct-to-Consumer cash generating unit (“CGU”) as a result of the carrying value of these assets exceeding the estimated recoverable amount.

Interest Expense

Interest expense was \$1,931 in Q4 2025 as compared to \$2,147 in Q4 2024, representing a decrease of \$216, or 10.1%. Interest expense was \$8,001 in F2025 as compared to \$8,840 in F2024, representing a decrease of \$839, or 9.5%.

The decrease in interest expense in Q4 2025 and F2025 was primarily driven by a decrease in the weighted average effective interest rate in comparison to Q4 2024 and F2024, and lower debt outstanding under the Credit Facilities (as defined below). See “Indebtedness”.

Income Taxes Expense (Recovery)

Income taxes expense was \$5,489 in Q4 2025 as compared to income taxes recovery of \$(7,657) in Q4 2024. The effective income tax rate for Q4 2025 was 27.2%, compared to the effective income tax recovery rate of 26.1% in Q4 2024.

Income taxes expense was \$2,074 in F2025 as compared to income taxes recovery of \$(11,767) in F2024. The effective income tax rate for F2025 was 30.8%, compared to the effective income tax recovery rate of 26.0% in F2024.

The difference in the effective tax rate during Q4 2025 and F2025 as compared to Q4 2024 and F2024 was attributed to non-deductible expenses, which was primarily related to non-deductible share-based compensation expenses.

Net Income (Loss)

Net income (loss) was \$14,690 in Q4 2025 as compared to \$(21,702) in Q4 2024, representing an increase of \$36,392.

Net income (loss) was \$4,667 in F2025 as compared to \$(33,443) in F2024, representing an increase of \$38,110.

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)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Sales	115,463	71,467	50,769	39,980	110,808	66,905	47,747	37,461
Net income (loss)	14,690	2,282	(4,394)	(7,911)	(21,702)	2,390	(5,236)	(8,895)
Net earnings (loss) per share:								
Basic earnings (loss) per share	\$ 0.37	\$ 0.06	\$ (0.11)	\$ (0.20)	\$ (0.54)	\$ 0.06	\$ (0.13)	\$ (0.22)
Diluted earnings (loss) per share . . .	\$ 0.37	\$ 0.06	\$ (0.11)	\$ (0.20)	\$ (0.54)	\$ 0.06	\$ (0.13)	\$ (0.22)
Other Performance Measures								
Comparable sales growth (decline)	7.3%	6.3%	17.8%	14.1%	7.5%	5.8%	(0.2%)	(8.2%)
Corporate retail stores, end of period	99	101	100	100	100	106	106	106
Short-term pop-up locations, end of period.	11	11	11	8	8	9	10	8

See “Result of Operations” for discussion on Q4 2025 results.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Inventory

Inventory was \$45,052 at the end of F2025, compared to \$40,994 at the end of F2024, representing an increase of \$4,058, or 9.9%.

The year-over-year increase in inventory is driven by investments in certain core collections and higher in-transit inventory to support DTC sales for the upcoming year, along with an increase in Partners and Other inventory to support our North American business-to-business wholesale growth, and higher foreign exchange paid on our purchases.

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	Q4 2025	Q4 2024	F2025	F2024
Cash generated from operating activities	47,323	43,681	32,178	32,333
Cash used in financing activities	(24,317)	(13,607)	(31,058)	(19,642)
Cash used in investing activities	(1,901)	(1,381)	(6,508)	(6,703)
Change in cash	21,105	28,693	(5,388)	5,988

Analysis of Cash Flows for Q4 2025 and F2025 compared to Q4 2024 and F2024

Cash generated from Operating Activities

During Q4 2025, cash generated from operating activities totalled \$47,323, as compared to \$43,681 in Q4 2024. The increase in cash generated from operating activities was primarily driven by higher sales and improvements to working capital in the quarter, partially offset by higher income tax installments paid, as compared to a tax refund received in Q4 2024.

During F2025, cash generated from operating activities totalled \$32,178, as compared to \$32,333 in F2024. The decrease in cash generated from operating activities in F2025 as compared to F2024 was primarily driven higher income tax installments paid compared to a tax refund received in F2024, partially offset by higher sales and improvements to working capital in the year.

Cash used in Financing Activities

During Q4 2025, cash used in financing activities amounted to \$24,317, as compared to \$13,607 in Q4 2024. The increase in cash used in financing activities was attributable to higher repayments against the Revolving Credit Facility, and higher cash payments on lease liabilities, as well as share repurchases under the normal course issuer bid (“**NCIB**”) in Q4 2025, partially offset by lower payments against the Term Credit Facility. See “Indebtedness”.

During F2025, cash used in financing activities amounted to \$31,058 as compared to \$19,642 in F2024. The increase in cash used in financing activities was attributable to higher cash payments on lease liabilities and higher payments against the Term Credit Facility, as well as share repurchases under the NCIB in F2025, as compared to no repurchases in F2024.

Cash used in Investing Activities

During Q4 2025, cash used in investing activities amounted to \$1,901, as compared to \$1,381 in Q4 2024. The increase in cash used in investing activities was as a result of higher cash payments for capital projects.

During F2025, cash used in investing activities amounted to \$6,508, as compared to \$6,703 in F2024. The decrease in cash used in investing activities was primarily due to lower capital expenditures for projects.

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

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

As at the end of F2025, the Company had a total amount outstanding under its Credit Facilities of \$33,523 (F2024 – \$42,180) and had total liquidity of \$73,633 (F2024 – \$94,021), including net cash and borrowing capacity available under the Company’s Revolving Credit Facility.

The Company has financial and non-financial covenants under the Credit Facilities. The key financial covenants include covenants for total net debt to Adjusted EBITDA ratio (“**Leverage Ratio**”), and fixed charge coverage ratio. Adjusted EBITDA used in the calculation of our key financial covenants may differ from the Adjusted EBITDA non-IFRS measure as defined in this MD&A. As at the end of F2025, the Company was in compliance with all covenants.

Reconciliation of Leverage Ratio

CAD \$000s	January 31, 2026	February 1, 2025
Long-term debt ⁽¹⁾	\$ 32,884	\$ 41,370
Less: cash	(28,633)	(34,021)
Net debt	\$ 4,251	\$ 7,349
Trailing 12-month Adjusted EBITDA	23,326	21,305
Leverage ratio	0.2x	0.3x

Notes:

- (1) As at January 31, 2026, total long-term debt of \$32,884 is net of \$639 unamortized long-term debt financing costs. As at February 1, 2025, total long-term debt of \$41,370 is net of \$810 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 CORRA rate, plus a margin that ranges from 275 to 400 bps. The applicable margins are derived from our Leverage Ratio, as follows: (i) where the Canadian

prime rate or U.S. base rate is used, the margins range from 175 bps at less than 2.0x Leverage Ratio, to 300 bps at greater than or equal to 3.5x Leverage Ratio; and (ii) where the CORRA rate is used, the margins range from 275 bps at less than 2.0x Leverage Ratio, to 400 bps at greater than or equal to 3.5x Leverage Ratio. During F2025, the weighted average effective interest rate of the Credit Facilities was 6.0%, decreasing from 7.3% during F2024 due to decreases in the underlying market interest rates.

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

CAD \$000s	Term Credit Facility
Within 1 year	5,338
Between 1 - 2 years	28,185
Total	33,523

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as at January 31, 2026:

CAD\$000s	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Thereafter	Total
Term Credit Facility ⁽¹⁾	5,338	28,185	—	—	—	—	33,523
Interest commitments relating to long-term debt ⁽²⁾	1,558	1,034	—	—	—	—	2,592
Payments on lease liabilities	22,546	18,268	13,726	8,341	6,245	20,279	89,405
Minimum lease commitments with future commencement dates	281	541	550	565	579	3,870	6,386
Inventory purchase commitments ⁽³⁾	25,070	—	—	—	—	—	25,070
Total commitments and obligations	54,793	48,028	14,276	8,906	6,824	24,149	156,976

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 at January 31, 2026, and assuming no prepayments are made to the Term Credit Facility.
- (3) Inventory purchase commitments reflect the cost (excluding duties and shipping) of outstanding inventory purchases ordered from our vendors and expected to be received within the period, excluding in-transit purchases that have already been 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 cash flow from operations and Revolving Credit Facility. 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 and presented in accumulated other comprehensive income. 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 the end of F2025, the Company has recorded derivative assets (liabilities) of (\$1,458) (F2024 – \$2,549), representing forward contracts to hedge its exposure to a portion of inventory purchases denominated in U.S. dollars. As at the end of F2025, the Company had outstanding forward contracts to buy US\$41,100 (F2024 – US\$37,020) of U.S. dollars at an average rate of 1.38 (F2024 – 1.37). As at the end of F2025, the U.S. dollar to Canadian dollar exchange rate was 1.36 (F2024 – 1.45). The forward contracts have maturity dates between February 2, 2026 and January 4, 2027.

As at the end of F2025 and F2024, there were no active swap contracts outstanding and therefore no derivative assets recorded.

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

SHARE INFORMATION

As at April 8, 2026, there were 39,196,165 Shares issued and outstanding (April 8, 2025 – 40,450,213). There were no preferred shares issued and outstanding as at April 8, 2026 and April 8, 2025.

During F2025:

- 1,286,700 Shares were purchased for cancellation, under the Company's NCIB;
- 149,584 stock options and 494,583 restricted share units ("**RSUs**") were granted;

- 16,667 stock options and 15,985 RSUs were exercised;
- 146,420 stock options and 13,333 RSUs were forfeited; and
- 124,818 DSUs were granted and 415,625 DSUs were exercised under the Company's deferred share unit plan (the **DSU Plan**”).

For Q4 2025 and F2025, the Company recorded share-based compensation expense of \$173 and \$646, respectively (Q4 2024 and F2024 – \$19 and \$156, respectively).

As at January 31, 2026, 1,728,366 stock options, 100,000 Warrants, and 481,250 RSUs were granted and outstanding, and 1,530,451 options, 66,667 Warrants, and nil RSUs were vested. Each stock option, Warrant, and RSU is, or will become, exercisable for one Share.

During F2025, 786,316 DSUs were outstanding under the Company's deferred share unit plan. No Shares will be issued upon the settlement of DSUs.

For Q4 2025 and F2025, the Company recorded (\$156) and \$772, respectively, as an increase (reduction) to SG&A as a result of changes in the fair value of the DSUs (Q4 2024 and F2024 – \$432 and \$104 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 52.4% of the total issued and outstanding Shares and the Founders beneficially own a minority interest 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 Q4 2025 and F2025, the rent expense that relates to the lease of this property was \$188 and \$752 (Q4 2024 and F2024 – \$186 and \$731, 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. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed F2025 pre-tax net income by \$590 as a result of the revaluation of financial assets and liabilities denominated in foreign currencies (F2024 - \$608). For Q4 2025 and F2025, the Company recorded \$411 and \$812, respectively (Q4 2024 and F2024 – (\$157) and (\$297), respectively) as an increase (reduction) to SG&A expenses as a result of the revaluation on these financial assets and liabilities denominated in foreign currency.

We are also exposed to fluctuations in the prices of U.S. dollar denominated purchases resulting from changes in U.S. dollar exchange rates. A weakening Canadian dollar relative to the U.S. dollar would have a negative impact on year-over-year changes in reported net income 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. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income for F2025 by \$2,739 (F2024 – \$2,628), as a result of the revaluation on the Company's forward contracts.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. Starting in the fourth quarter of F2022, we entered into swap contracts to affix its CORRA rate at 4.4% per annum until September 6, 2024, on \$40,000 of our Credit Facilities. There were no interest rate swap contracts outstanding as at the end of F2025 (F2024 - \$nil).

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 \$109 in Q4 2025 and \$418 in F2025 (Q4 2024 - \$116, F2024 - \$196). 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.

An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design of these controls were effective as at January 31, 2026.

Although the Company's disclosure controls and procedures were operating effectively as at January 31, 2026, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's regulatory filings.

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.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework and criteria established in "Internal Control – Integrated Framework" published by The Committee of Sponsoring Organizations of the Treadway Commission, 2013". Based on that evaluation, the CEO and the CFO have concluded that the operation of the Company's internal controls over financial reporting, as defined by NI 52-109, were effective as at January 31, 2026.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgement in evaluating controls and procedures. Therefore, even when determined to be designed effectively, disclosure controls and internal control over financial reporting can provide only reasonable assurance with respect to disclosure, reporting and financial statement preparation.

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 F2025 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 Annual Financial Statements have been prepared in accordance with IFRS. The preparation of our financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, sales and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are more fully described in our Annual Financial Statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

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

Inventory valuation

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

Impairment of non-financial assets

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

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

Share-based compensation

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

Gift card breakage

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

Income taxes

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

Leases

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

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

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”.