BUYER-SIDE INVESTMENT COMMITTEE MEMORANDUM

Roots Corporation (sample, public data)

Pass: the $120,100,000 enterprise-value offer for Roots sits above both the standalone value range and the hard ceiling, which is a hard stop even though the modeled downside is survivable.

RECOMMENDATION

Pass

CONFIDENCE

Low

RELIANCE POSTURE

Screen Grade

DEFINING OPPORTUNITY

A recognized Canadian heritage brand with direct customer access through about 100 company stores and e-commerce, which a brand manager and its operating partner could extend into new categories and international markets.

DEFINING UNCERTAINTY

It is unclear whether standalone earnings support the price. Recent sales and gross margin have weakened, cash, leases and working capital are unquantified, and any international upside is an unproven synergy that belongs to the buyer.

Strategic · Diligence stage

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This memo is an evidence-bounded acquisition screen, not a fairness opinion, valuation opinion, legal opinion, or commitment to transact.

00

Investment Committee Snapshot

TRANSACTION FRAME

All-cash stock purchase of a public, board-recommended and shareholder-approved Canadian heritage apparel brand. The price is C$4.10 per share, with $3,100,000 of debt assumed or refinanced and an equity value of $117,000,000.

Opportunity

A recognized Canadian heritage brand with direct customer access through about 100 company stores and e-commerce, which a brand manager and its operating partner could extend into new categories and international markets.

Uncertainty

It is unclear whether standalone earnings support the price. Recent sales and gross margin have weakened, cash, leases and working capital are unquantified, and any international upside is an unproven synergy that belongs to the buyer.

PASS | LOW CONFIDENCE | SCREEN GRADE

01

Decision Posture

GOVERNING DECISION

A deterministic hard stop overrides the remaining positive attributes.

The governing posture is pass with low confidence. The hard vetoes are that both the asking price and the offer enterprise value exceed the buyer's hard ceiling, and that overrides the survivable downside and forthright seller responses. The ceiling is a standard assumption set at the top of the standalone range because the buyer gave no maximum, so staying engaged would require the buyer to set its own ceiling, keep synergy value private, and obtain a lower price. Because shareholders have already approved the sale, a price reduction looks unlikely, so the practical path is to pass and stay available.

Conditions to advance

- Obtain the general ledger before completing financial diligence; the minimum LOI package does not replace financial reconstruction.
- The offer exceeds the standalone value range; any decision to remain engaged must preserve buyer-specific synergy and the hard ceiling.

Hard vetoes

- The asking price exceeds the buyer's hard ceiling; preserve discipline and pass.
- The offer enterprise value exceeds the buyer's hard ceiling. Pass unless the offer is reduced.

Compounding risks

No compounding risk recorded.

02

Acquisition Thesis and Buyer Fit

Acquisition thesis

The thesis fits the strategy, but it is a growth thesis that depends on buyer-led extension rather than on the standalone business.

The plan to extend the brand into new categories, international markets and consumer segments, with JM&A running operations, rests on brand recognition that the seller asserts but no evidence quantifies. The segment test asks whether ownership creates an advantage greater than standalone value plus integration cost, and that cannot be shown because no synergy is quantified or assigned to an owner.

Buyer implication: The strategic rationale cannot excuse a price above standalone value. The buyer should test the alternatives of licensing the brand, partnering, or waiting before treating ownership as necessary.

EVIDENCE: BUYER-INTAKE, UNDERWRITING, DEAL-SCREEN

Buyer fit

The buyer type and experience fit, but capital capacity is not evidenced.

The buyer already manages a portfolio of apparel and lifestyle brands and plans to install an operating partner, which suits a brand-led acquisition. Available equity is not stated, and the all-cash structure requires $120,100,000 of buyer cash. The requirement that the brand remain operated in Canada is compatible with the target's footprint.

Buyer implication: The buyer should confirm its funding capacity and the operating partner's mandate before taking any further step.

EVIDENCE: BUYER-INTAKE, UNDERWRITING

03

Deal Economics

Economics interpretation

Standalone earnings do not support the price.

The offer enterprise value of $120,100,000 is above the standalone range of $85,000,000 to $119,000,000. Most-likely payback is 10.1 years, the modeled IRR is -19.6%, and worst-case payback stretches to 19.6 years. Those figures rest on reported EBITDA of $17,000,000 with no adjustments tested and on an assumed 70% conversion to free cash flow.

Buyer implication: This answers the buyer's first question: the price is not supported by standalone earnings, and any premium would have to come from synergy the buyer funds and keeps.

EVIDENCE: UNDERWRITING, ASSUMPTION-7, ASSUMPTION-8

Earnings normalization

Value and price discipline

Reported EBITDA	**$17,000,000**
Normalized EBITDA	**$17,000,000**
Reported SDE	**Not provided**
Normalized SDE	**Not provided**
Reported unlevered FCF	**Not provided**
Normalized unlevered FCF	**Not provided**

Valuation basis	**Normalized Ebitda**
Standalone EV — low	**$85,000,000**
Standalone EV — high	**$119,000,000**
Offer enterprise value	**$120,100,000**
Hard ceiling	**$119,000,000**
Range strategy	**Above Hard Ceiling**

Sources and uses

Equity purchase price	**$117,000,000**
Total uses at close	**$120,100,000**
Senior debt	**$0**
Seller financing	**$0**
Deferred earnout	**$0**
Buyer cash required	**$120,100,000**

Return frame

Primary metric	**Payback Period**
Annual cash flow to buyer	**Not provided**
Cash-on-cash return	**Not calculated**
Payback period	**Not calculated**
IRR	**-19.6%**
Worst case survivable	**Yes**

Downside scenarios

Worst Case

Revenue $161,760,000 · EBITDA $8,747,200 · FCF $6,123,040 · DSCR not calculated · Payback 19.6 years · Survivable yes

Most Likely

Revenue $202,200,000 · EBITDA $17,000,000 · FCF $11,900,000 · DSCR not calculated · Payback 10.1 years · Survivable yes

Best Case

Revenue $222,420,000 · EBITDA $20,924,200 · FCF $14,646,940 · DSCR not calculated · Payback 8.2 years · Survivable yes

BUYER-OWNED SYNERGY TREATMENT

Buyer-specific synergies are excluded from standalone value, equity value, financing, and return calculations.

Excluded buyer-specific synergies: Not provided

Decision triggers

- offer_above_hard_ceiling: The offer enterprise value exceeds the buyer's hard ceiling. Pass unless the offer is reduced.
- offer_above_standalone_range: The offer exceeds the standalone value range; any decision to remain engaged must preserve buyer-specific synergy and the hard ceiling.

04

What Is Actually Being Underwritten

RevenueQuality

Revenue is mostly direct-to-consumer and highly seasonal, and the intake's claim that it is growing conflicts with the latest results.

About 86% of sales come from direct-to-consumer retail and e-commerce, none of it is recurring, and most of the year's profit comes in the fourth quarter. Second-quarter fiscal 2026 sales fell 2.4%, which contradicts the intake's 'growing' label.

Buyer implication: Underwriting should rely on trailing results by season and by channel, not on the growth label.

EVIDENCE: BUYER-INTAKE, MATERIAL-REVENUE-MIX

EarningsQuality

The financials are audited but have not been rebuilt from the ledger, and the margin trend is weakening.

Gross margin fell from a record 61.3% to 58.3% in the second quarter, even though the intake describes margins as stable. The distribution-centre move cost about C$3.8M year to date and is not accepted as an add-back. The packet also does not say how reported EBITDA treats lease costs.

Buyer implication: No normalization credit should be given until the general ledger is reviewed and the treatment of leases and one-time costs is reconciled.

EVIDENCE: BUYER-INTAKE, UNDERWRITING, MATERIAL-GENERAL-LEDGER, MATERIAL-FINANCIAL-STATEMENTS

CashConversion

Cash conversion is an assumption, not an observation.

Free cash flow is set at 70% of EBITDA as a standard assumption, and the buyer's cash flow statement was not supplied. Losses in the first half of each year mean annual conversion may hide a significant seasonal cash trough.

Buyer implication: Cash conversion should be rebuilt quarterly from the cash flow statement before any value or payback figure is relied on.

EVIDENCE: ASSUMPTION-7, ASSUMPTION-8, MATERIAL-CASH-FLOW-STATEMENT, BUYER-INTAKE

OwnerDependence

Founder or owner dependence is low because the company is a public company run by professional managers.

There is no owner-operator to transition, and the sellers are public shareholders who have approved the sale.

Buyer implication: The transfer risk shifts from the owner to the management team and the brand's creative leadership.

EVIDENCE: BUYER-INTAKE

ManagementDepth

The management team is deep, but whether it stays after the sale is undisclosed.

A full public-company leadership team is in place, but it is not stated whether management continues under JM&A. The intake itself flags design and retail leadership as a key-employee risk, and no employee listing has been reviewed.

Buyer implication: The buyer needs a retention plan for the design and retail leaders who drive revenue.

EVIDENCE: BUYER-INTAKE, MATERIAL-EMPLOYEE-LISTING

CustomerConcentration

Customer concentration is likely low in retail sales, but wholesale and licensing exposure has not been assessed.

The largest-customer share is not provided, and the top 10 customer list has not been reviewed. The direct-to-consumer mix suggests a diffuse end-customer base, while the wholesale, licensing and Asian partner stores may involve concentrated counterparties.

Buyer implication: Diligence should be limited to the wholesale accounts, licensees and Asian partner agreements, including any change-of-control terms.

EVIDENCE: MATERIAL-TOP-TEN-CUSTOMERS, BUYER-INTAKE

WorkingCapital

Working-capital needs are unquantified and likely seasonal.

Normal working capital and cash at close are both counted as zero only because no figures were provided. Losses in the first half and a fourth-quarter profit peak imply an inventory build that the model does not capture.

Buyer implication: A seasonally normalized working-capital peg and closing-cash figure are needed before the equity bridge can be relied on.

EVIDENCE: ASSUMPTION-3, ASSUMPTION-5, BUYER-INTAKE, MATERIAL-BALANCE-SHEET

CapitalExpenditure

Capital spending and deferred maintenance are unknown.

No capital-expenditure profile was provided, deferred maintenance is counted as zero, and near-term capital spending is modeled at $0. A network of about 100 stores and a recent distribution-centre move suggest real reinvestment needs that are not evidenced.

Buyer implication: The buyer should get the store refurbishment, lease renewal and distribution-centre capital plans before trusting free cash flow.

EVIDENCE: ASSUMPTION-4, UNDERWRITING, BUYER-INTAKE

AiExposure

AI exposure is limited and does not affect the decision.

The intake cites limited direct disruption and possible gains in demand planning and marketing, but none of those gains is quantified.

Buyer implication: No AI-related value should be credited.

EVIDENCE: BUYER-INTAKE

Financing

The deal is unlevered, so there is no debt-service risk, but funding capacity is unconfirmed.

Total uses of $120,100,000 would be funded entirely with buyer cash, with no senior or seller debt. Even the worst case still produces $6,123,040 of free cash flow, but the buyer's available equity is not stated.

Buyer implication: The financing constraint is the buyer's own capital, and the payback-period return metric will determine how acceptable the deal is.

EVIDENCE: UNDERWRITING, BUYER-INTAKE

Integration

Integration should protect revenue first and consolidate back-office functions later.

JM&A would take over design, manufacturing, retail and e-commerce, which are the revenue-producing functions most exposed to disruption during the holiday quarter. Finance, HR and technology support could be integrated sooner, while keeping the brand operated in Canada.

Buyer implication: Integration cost and the specific owner of each synergy must be defined and kept out of the price paid to the seller.

EVIDENCE: BUYER-INTAKE, DEAL-SCREEN

SellerMotivation

The sale is a board-led process, and seller responses so far support trust.

The strategic review began March 3, 2026, the board recommended the sale unanimously, and shareholders approved it at a 36% premium. That process came after the second-quarter sales decline and margin compression.

Buyer implication: Because shareholders have already approved the sale, there is probably little room to renegotiate the price, which reinforces discipline over chasing the deal.

EVIDENCE: BUYER-INTAKE, DEAL-SCREEN

Material findings

THESIS FIT | HIGH | WALK

Offer exceeds hard ceiling and standalone range

This is a hard veto under the governing decision.

Required action: Pass unless the offer is reduced to or below a ceiling the buyer sets itself.

EVIDENCE: UNDERWRITING, DEAL-SCREEN, ASSUMPTION-1

EARNINGS QUALITY | HIGH | INVESTIGATE

Margin compression and unreconstructed EBITDA

Standalone value may be overstated if the gross-margin decline persists or if lease costs are excluded from EBITDA.

Required action: Reconstruct EBITDA from the general ledger and confirm how leases and the distribution-centre costs are treated.

EVIDENCE: BUYER-INTAKE, MATERIAL-GENERAL-LEDGER, UNDERWRITING

WORKING CAPITAL | MODERATE | PRICE

Seasonal working capital and closing cash unknown

The equity bridge may misstate value.

Required action: Set a seasonally normalized working-capital peg and quantify closing cash and debt-like items.

EVIDENCE: ASSUMPTION-3, ASSUMPTION-5, ASSUMPTION-2

LEGAL REGULATORY | MODERATE | PROTECT

Stock purchase inherits history including 2020 U.S. Chapter 7

Liabilities from the past remain with the acquired entity.

Required action: Run legal diligence on the U.S. subsidiary history and on the approvals required, then allocate any residual liabilities.

EVIDENCE: BUYER-INTAKE

KEY EMPLOYEE | MODERATE | PROTECT

Design and retail leadership continuity

The brand's value depends on creative and retail execution.

Required action: Obtain the employee listing and put retention arrangements in place for key leaders.

EVIDENCE: BUYER-INTAKE, MATERIAL-EMPLOYEE-LISTING

05

Diligence Pressure Map

PRIORITY 01

Price versus ceiling

It is the governing hard stop.

Evidence required: A hard ceiling set by the buyer itself and any seller willingness to reduce price.

Decision affected: Whether to pass or re-engage.

EVIDENCE: UNDERWRITING, ASSUMPTION-1

PRIORITY 02

EBITDA reconstruction

Standalone value rests on unadjusted reported EBITDA.

Evidence required: General ledger, lease treatment, and breakdown of the distribution-centre costs.

Decision affected: Standalone value range.

EVIDENCE: MATERIAL-GENERAL-LEDGER, UNDERWRITING

PRIORITY 03

Seasonal cash and working capital

The model holds these at zero only because no figures were provided.

Evidence required: Quarterly balance sheets, closing-cash estimate, and inventory build.

Decision affected: Equity bridge and peg.

EVIDENCE: ASSUMPTION-3, ASSUMPTION-5, MATERIAL-BALANCE-SHEET

PRIORITY 04

Margin trajectory

Gross margin fell from 61.3% to 58.3%.

Evidence required: Gross margin by channel and season, plus promotional and freight drivers.

Decision affected: Most-likely scenario credibility.

EVIDENCE: BUYER-INTAKE, MATERIAL-FINANCIAL-STATEMENTS

PRIORITY 05

International synergy evidence

It is the only route to a price above standalone value.

Evidence required: Asian partner performance, licensing terms, and a named owner and cost for each synergy.

Decision affected: Buyer's private ceiling.

EVIDENCE: BUYER-INTAKE, DEAL-SCREEN

06

Investigate, Price, Protect, Walk

Investigate

Rebuild EBITDA and cash conversion from the general ledger

No adjustments have been tested, and cash conversion rests on an assumption.

EVIDENCE: MATERIAL-GENERAL-LEDGER, ASSUMPTION-8

Wholesale, licensing and Asian partner contracts

Counterparty concentration and change-of-control terms are unknown.

EVIDENCE: MATERIAL-TOP-TEN-CUSTOMERS, BUYER-INTAKE

Price

Seasonal working-capital peg, closing cash and debt-like items, including leases

Each is counted as zero only because no figures were provided.

EVIDENCE: ASSUMPTION-2, ASSUMPTION-3, ASSUMPTION-5

Store and distribution-centre capital needs

Deferred maintenance and capital spending are not quantified.

EVIDENCE: ASSUMPTION-4

Protect

Keep the buyer's synergy valuation confidential and set the buyer's own ceiling

Synergy value belongs to the buyer, and the current ceiling is only an assumption.

EVIDENCE: DEAL-SCREEN, ASSUMPTION-1

Retain key design and retail leaders through the holiday quarter

Revenue-producing functions are the most exposed to disruption during the transfer.

EVIDENCE: BUYER-INTAKE

Walk-away conditions

Price remains above the buyer's hard ceiling

This is the governing hard veto.

EVIDENCE: UNDERWRITING, DEAL-SCREEN

The ledger rebuild shows EBITDA materially below the reported $17,000,000

That would push standalone value further below the price.

EVIDENCE: MATERIAL-GENERAL-LEDGER, UNDERWRITING

Lease or legacy liabilities are found that cannot be priced or protected

A stock purchase inherits all liabilities.

EVIDENCE: BUYER-INTAKE, ASSUMPTION-2

07

Uncertainty Surface

The buyer's own hard ceiling

Decision consequence: The veto currently rests on an assumed ceiling.

Evidence required: An approved maximum price from the buyer.

EVIDENCE: ASSUMPTION-1

Cash position and capitalization table

Decision consequence: The equity bridge is incomplete.

Evidence required: Closing-cash estimate and ownership schedule.

EVIDENCE: DEAL-SCREEN, ASSUMPTION-5

Lease obligations and debt-like items

Decision consequence: Enterprise value and equity value may be misstated.

Evidence required: Lease schedule and debt-like item listing.

EVIDENCE: ASSUMPTION-2

Management continuity under JM&A

Decision consequence: There is a risk to how the brand is executed after the sale.

Evidence required: Employee listing and retention intent.

EVIDENCE: MATERIAL-EMPLOYEE-LISTING, BUYER-INTAKE

08

Questions for the Seller

QUESTION 01

Is there any flexibility on the C$4.10 per-share price?

The price is the hard stop.

Decision affected: Pass or re-engage.

EVIDENCE: UNDERWRITING, BUYER-INTAKE

QUESTION 02

Will you provide the general ledger, and is reported EBITDA measured before or after lease costs?

Standalone value depends on the answer.

Decision affected: Standalone value range.

EVIDENCE: MATERIAL-GENERAL-LEDGER, UNDERWRITING

QUESTION 03

What are the expected cash at close, lease obligations and seasonal working-capital levels?

The model holds these at zero only because no figures were provided.

Decision affected: Equity bridge and peg.

EVIDENCE: ASSUMPTION-2, ASSUMPTION-3, ASSUMPTION-5

QUESTION 04

What drove the second-quarter sales decline and gross-margin drop, and are the distribution-centre costs fully behind the business?

These results contradict the growing and stable trend labels in the intake.

Decision affected: Scenario credibility.

EVIDENCE: BUYER-INTAKE

QUESTION 05

Which partner, licensing and wholesale agreements contain change-of-control or termination rights?

They determine what transfers to the buyer.

Decision affected: Protection terms.

EVIDENCE: MATERIAL-TOP-TEN-CUSTOMERS, BUYER-INTAKE

QUESTION 06

Are any liabilities from the 2020 U.S. Chapter 7 still outstanding?

A stock purchase inherits them.

Decision affected: Liability protection.

EVIDENCE: BUYER-INTAKE

09

Next Decision

NEXT COMMITMENT

Do not commit further cash or exclusivity. Stay available in case the process fails or the price resets.

Evidence gate	**Re-engage only with a buyer-approved hard ceiling at or above a revised offer, plus the general ledger, CIM, employee listing and closing-cash data.**
Stop condition	**Stop if the price stays above the buyer's hard ceiling or if the ledger rebuild lowers standalone EBITDA.**

A

Evidence Register

buyer-intake

Buyer profile, target profile, proposed terms, questions, and context supplied in the Acquisition Lens intake.

Buyer Provided · Provided · Unknown confidence · as of 2026-11-17T04:19:20.121Z · Acquisition Lens intake

deal-screen

Deterministic Deal Screen result, including posture, confidence, hard stops, conditions, and missing information.

Calculated · Verified · Low confidence · as of 2026-11-17T04:19:20.121Z · Acquisition Lens deterministic Deal Screen

underwriting

Deterministic underwriting result, including normalized earnings, value ranges, capital stack, returns, and downside scenarios.

Calculated · Verified · Low confidence · as of 2026-11-17 · Acquisition Lens deterministic underwriting

material-cim

Buyer has not reviewed the sale package (CIM).

Buyer Provided · Missing · Unknown confidence · as of 2026-11-17

material-financial-statements

Buyer reports having reviewed financial statements; the documents were not supplied to Acquisition Lens.

Buyer Provided · Claimed · Moderate confidence · as of 2026-11-17

material-balance-sheet

Buyer reports having reviewed a balance sheet; the documents were not supplied to Acquisition Lens.

Buyer Provided · Claimed · Moderate confidence · as of 2026-11-17

material-cash-flow-statement

Buyer reports having reviewed a cash flow statement; the documents were not supplied to Acquisition Lens.

Buyer Provided · Claimed · Moderate confidence · as of 2026-11-17

material-top-ten-customers

Buyer has not reviewed the top 10 customer list.

Buyer Provided · Missing · Unknown confidence · as of 2026-11-17

material-employee-listing

Buyer has not reviewed an employee listing.

Buyer Provided · Missing · Unknown confidence · as of 2026-11-17

material-revenue-mix

Buyer reports having reviewed revenue and customer mix; the documents were not supplied to Acquisition Lens.

Buyer Provided · Claimed · Moderate confidence · as of 2026-11-17

material-general-ledger

Buyer has not reviewed the general ledger.

Buyer Provided · Missing · Unknown confidence · as of 2026-11-17

assumption-1

Standard assumption, not supplied by the buyer: Walk-away price set at the top of the fair-value range; the buyer gave no maximum.

Calculated · Claimed · Low confidence

assumption-2

Standard assumption, not supplied by the buyer: No figure given for debt-like items; counted as zero and flagged as not provided.

Calculated · Claimed · Low confidence

assumption-3

Standard assumption, not supplied by the buyer: No figure given for normal working capital; counted as zero and flagged as not provided.

Calculated · Claimed · Low confidence

assumption-4

Standard assumption, not supplied by the buyer: No figure given for deferred maintenance; counted as zero and flagged as not provided.

Calculated · Claimed · Low confidence

assumption-5

Standard assumption, not supplied by the buyer: No figure given for cash left in the company at closing; counted as zero and flagged as not provided.

Calculated · Claimed · Low confidence

assumption-6

Standard assumption, not supplied by the buyer: Stress cases assumed: bad case revenue down 20% and margin down 3 points; expected case flat; good case revenue up 10% and margin up 1 point.

Calculated · Claimed · Low confidence

assumption-7

Standard assumption, not supplied by the buyer: 70% of profit assumed to turn into free cash, with a yearly cash cushion of 10% of adjusted earnings.

Calculated · Claimed · Low confidence

assumption-8

Standard assumption, not supplied by the buyer: Free cash flow assumed at 70% of adjusted earnings; the buyer gave none.

Calculated · Claimed · Low confidence

B

Authority and Limitations

Authority note

This analysis applies the acquisition and portfolio-operations judgment framework of Mike Ye. It is not legal, tax, accounting, investment, lending, or formal valuation advice.

Limitations

- Figures were entered by the buyer and converted from Canadian dollars. They have not been independently verified, and the source documents were not supplied.
- The hard ceiling, cash conversion, working capital, debt-like items and stress cases are standard assumptions, not inputs from the buyer.
- The general ledger, CIM, top 10 customer list and employee listing have not been reviewed.
- Buyer-specific synergies are excluded and have not been quantified.
- This is not legal, tax, accounting, investment, lending or formal valuation advice.

Acquisition Lens preserves deterministic calculations as authoritative. Narrative interpretation cannot override the supplied underwriting, Deal Screen, or source classifications. Independent financial, tax, legal, commercial, insurance, technology, and operational diligence remains required before any transaction commitment.