



Freshii Inc. Announces Third Quarter Fiscal 2017 Results

TORONTO, November 2, 2017 — [Freshii Inc.](#) (TSX: FRII), one of the fastest growing health and wellness brands in the world, today announced financial results for the third quarter ended September 24, 2017. Unless otherwise indicated, all amounts are expressed in U.S. dollars. Certain metrics, including those expressed on an adjusted or comparable basis, are non-IFRS measures. See "Non-IFRS Measures and Industry Metrics" below.

Highlights for the Third Quarter Fiscal 2017:

- Same-store sales growth for the 13 week period ended September 24, 2017 ("Q3 2017") was 5.1%, building on the 5.3% growth experienced during the 13 week period ended September 25, 2016 ("Q3 2016").
- The Company raised same-store sales growth outlook to "approximately 5%" for fiscal 2017, up from the previously disclosed range of between 3% and 4%.
- The Company opened 13 net new stores in Q3 2017 (of which 13 were enhanced openings, as discussed in the Company's Management Discussion and Analysis) for a system-wide total of 345 stores, representing year over year growth of 41%.
- Recurring royalty revenue increased to \$2.4 million in Q3 2017, representing a 41% increase as compared to Q3 2016.
- The Company achieved a 50% income margin in the franchise segment for the 39 week period ended September 24, 2017.
- Starting with the first quarter of 2018, the Company will no longer add locations opened on an enhanced openings basis to its store opening count. By early 2018, all 2017 e-stores, including those planned for the fourth quarter, will have their front doors open to the public.

Matthew Corrin, Chairman and Chief Executive Officer of Freshii, commented, "The third quarter was a challenging one for our company, as evidenced by the revision to our outlook issued on September 25th, 2017. Today, we are reiterating that revised guidance with the exception of the same-store sales outlook for 2017, which we are raising to approximately 5% for fiscal 2017, reflecting our strong year-to-date same-store sales and fourth-quarter-to-date trends. In addition, we still expect to achieve between 90 and 95 net new openings in fiscal 2017, which represents best-in-class unit growth of over 30% year over year."

Outlook:

The chart below presents a breakdown of net new openings outlook for fiscal 2017 and remains unchanged from the update we provided on in our September 25th, 2017 press release (the “Press Release”):

	13 weeks ended September 24, 2017	14-week period ended December 31, 2017	Fiscal 2017
System-wide stores	345	369 to 376	369 to 376
Store openings	<u>34</u>	<u>31 to 36</u>	<u>125 to 130</u>
<i>Front door</i>	21	20 to 22	-
<i>E-stores</i>	13	11 to 14	-
Store Closures	<u>21</u>	<u>5 to 7</u>	<u>32 to 34</u>
<i>Retailer - Target</i>	17	1	18
<i>Other</i>	4	4 to 6	15 to 18
Net New Stores (including e-stores)	<u>13</u>	<u>24 to 31</u>	<u>90 to 95</u>

Fiscal 2019:

The below is a summary of the Company’s outlook for 2019. It includes a reiteration of the 2019 outlook contained in the Press Release:

- System-wide front door store count of between 730 and 760 stores by the end of fiscal 2019 (there are no e-stores included in this fiscal 2019 outlook);
- Annual same store sales growth of between 3.0% and 4.0% for fiscal 2018 and fiscal 2019;
- System-wide sales growing to between \$275 million and \$285 million by the end of fiscal 2019;
- Selling, general and administrative expenses as a percentage of system-wide sales of between 5.0% and 6.0% for the period fiscal 2017 through fiscal 2019; and
- Pro Forma Adjusted EBITDA growing to between \$15 million and \$17 million by the end of fiscal 2019.

The assumptions underlying this outlook can be found in the Company’s third quarter MD&A and the Press Release.

The foregoing outlook is based on management's current strategies and its assessment of its business and the restaurant industry as a whole and is considered to be forward-looking information for purposes of applicable Canadian securities laws. Readers are cautioned that actual results may vary. See "Forward-Looking Information" below for a description of the risks and uncertainties that impact Freshii's business and that could cause actual results to vary.

Earnings Conference Call and Audio Webcast:

A conference call to discuss second quarter financial results is scheduled for November 2, 2017, at 9:30 a.m. ET. The conference call can be accessed live over the phone by dialing 1-877-425-9470 (U.S. and Canada), or 1-201-389-0878 (International). An audio replay will be available from 12:30 p.m. Eastern Time on Thursday, November 2, 2017 through Thursday, November 9, 2017 at 11:59 p.m. Eastern Time. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13672384. The call will also be webcast live from Freshii's investor relations website at <http://ir.freshii.com>. Following completion of the call, a recorded replay of the webcast will be available on the website.

About Freshii

Eat. Energize. That's the Freshii mantra. Freshii is a health-casual restaurant brand that serves fresh food designed to energize people on the go. With a diverse and completely customizable menu of breakfast, soups, salads, wraps, bowls, burritos, frozen yogurt, juices and smoothies served in an eco-friendly environment, Freshii caters to every taste and dietary preference.

Since it was founded in 2005, Freshii has opened hundreds of restaurants in cities and countries around the world. Freshii can be found in all location types from cosmopolitan cities, college campuses, suburban neighborhoods and malls to fitness clubs, airports and small towns.

Inquire about how to join the Freshii family: <https://freshii.com/us/franchising>.

Learn more about investing in Freshii: <http://ir.freshii.com>.

Learn about the Freshii brand: <https://vimeo.com/195658178>.

Find your nearest Freshii: <http://www.freshii.com>.

Follow Freshii on Twitter and Instagram: @freshii

Non-IFRS Measures and Industry Metrics

This news release makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by our competitors in the restaurant industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Pro Forma Adjusted EBITDA", "free cash flow", "free cash flow conversion", "Adjusted Net Income" and "Pro Forma Adjusted Net Income". This MD&A also makes reference to "AUV", "Canada AUV", "system-wide AUV", "system-wide sales", "system-wide stores", "same-store sales growth" and "U.S. AUV" which are commonly used operating metrics in the restaurant industry but may be calculated differently by other companies in the restaurant industry. These non-IFRS measures and restaurant industry metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including restaurant industry metrics in the evaluation of companies in the restaurant industry. Our management also uses non-IFRS measures and restaurant industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. For a: (i) detailed definition of each of the non-IFRS measures and industry metrics referred to; and (ii) reconciliation of these non-IFRS measures refer to the Company's Management's Discussion and Analysis dated October 30, 2017, which is available on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information in this news release contains forward-looking information and forward-looking statements which reflect the current view of management with respect to the Company's objectives, plans, goals, strategies, outlook, results of operations, financial and operating performance, prospects and opportunities, including statements relating to store count and same-store sales growth. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe" and similar expressions identify forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such

events, performance or results will be achieved. All of the information in this news release containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

Forward-looking information and forward-looking statements are based on information available to management at the time they are made, underlying estimates, opinions and assumptions made by management and management's current good faith belief with respect to future strategies, prospects, events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally. Such risks and uncertainties include, but are not limited to, those described in "Forward-Looking Statements" which are described in the Company's Management's Discussion and Analysis dated October 1, 2017, which is available on SEDAR at www.sedar.com.

Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and forward-looking statements and are cautioned not to place undue reliance on such information and statements. The Company does not undertake to update any such forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

Selected Quarterly and Year-to-Date Consolidated Information

The following tables summarize our results of operations for the 13 and 39 week periods ended September 24, 2017 and the 13 and 39 week periods ended September 25, 2016 (in thousands).

	For the 13 Week Periods Ended			
	September 24, 2017		September 25, 2016	
	Amount	Percent of	Amount	Percent of
		Total		Total
	Revenue		Revenue	
Revenue				
Franchise revenue.....	\$ 3,850	85%	\$ 3,405	81%
Company-owned store revenue.....	687	15	795	19
Total revenue.....	4,537	100	4,200	100
Costs and expenses				
Cost of sales.....	583	13	645	15
Selling, general and administrative.....	2,151	47	2,273	54
Depreciation and amortization.....	171	4	44	1
Share based compensation expense.....	1,777	39	15	1
Total costs and expenses.....	4,682	103	2,977	71
Income (loss) before interest costs, foreign exchange and income taxes.....	(145)	(3)	1,223	29
Interest expense, net.....	(135)	(3)	184	4
Foreign exchange loss (gain).....	197	4	93	2
Income (loss) before income tax expense.....	(207)	(4)	946	23
Income tax expense (recovery).....	781	18	345	9
Net income (loss).....	\$ (988)	(22%)	\$ 601	14%

The following table summarizes our Consolidated Statement of Balance Sheet Information as at September 24, 2017 and December 25, 2016:

Consolidated Statements of Balance Sheet Information:	As at	As at
	September 24, 2017	December 25, 2016
	(in thousands)	
Cash.....	\$ 28,696	\$ 6,581
Total assets.....	40,218	12,243
Non-current financial liabilities.....	-	-
Total debt.....	-	15,000
Equity (deficit).....	35,583	(10,492)

The following table shows our cash flows information for the 39 week periods ended September 24, 2017 and September 25, 2016:

39 Week Period Ended

	September 24, 2017	September 25, 2016
	(in thousands)	
Net cash provided by (used in) operations	(1,380)	3,036
Net cash provided by (used in) investing	(4,155)	696
Net cash provided by (used in) financing	26,012	1,024
Net increase (decrease) in cash	<u>\$ 20,477</u>	<u>\$ 4,756</u>

The following table reconciles EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, free cash flow, free cash flow conversion, Adjusted Net Income and Pro Forma Adjusted Net Income to the most directly comparable IFRS financial performance measure.

	13 Week Period Ended		39 Week Period Ended	
	(in thousands)			
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Net income (loss)	\$ (988)	\$ 601	\$ (2,053)	\$ 2,085
Interest expense, net	(135)	184	(105)	308
Income tax expense (recovery)	781	345	334	1,058
Depreciation and amortization	171	44	296	122
EBITDA	\$ (171)	\$ 1,174	\$ (1,528)	\$ 3,573
Adjustments:				
Share-based compensation expense ⁽¹⁾	1,777	15	5,646	46
Foreign exchange gain ⁽²⁾	-	-	(481)	-
Transaction and other costs ⁽³⁾	-	383	1,470	1,444
Adjusted EBITDA	\$ 1,606	\$ 1,572	\$ 5,107	\$ 5,063
Chicago master agreement commission costs ⁽⁴⁾	-	141	290	390
Pro Forma Adjusted EBITDA	\$ 1,606	\$ 1,713	\$ 5,397	\$ 5,453
Pro Forma Adjusted EBITDA C\$⁽⁶⁾	C\$ 2,020	C\$ 2,234	C\$ 7,065	C\$ 7,213
Less capital expenditures	\$ 12	\$ 155	\$ 189	\$ 279
Free cash flow	\$ 1,584	\$ 1,598	\$ 5,208	\$ 5,173
Free cash flow conversion	98.6%	93.3%	96.5%	94.9%

	13 Week Period Ended		39 Week Period Ended	
	(in thousands)			
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Net income (loss)	(988)	601	(2,053)	2,085
Adjustments:				
Share-based compensation expense ⁽¹⁾ ..	1,777	15	5,646	46
Unrealized foreign exchange gain ⁽²⁾	-	-	(481)	-
Transaction and other costs ⁽³⁾	-	383	1,470	1,444
Related tax effects ⁽⁵⁾	(462)	(106)	(1,850)	(395)
Adjusted Net Income	\$ 327	\$ 893	\$ 2,732	\$ 3,180
Adjustments:				
Chicago master agreement commission costs ⁽⁴⁾	-	141	290	390
Related tax effects ⁽⁵⁾	-	(49)	(102)	(137)
Pro Forma Adjusted Net Income (loss)	\$ 327	\$ 985	\$ 2,920	\$ 3,433

Notes:

- (1) In the 39 week period ended September 24, 2017, the Company granted RSUs to executive officers, management, employees, and non-management directors of the Company in conjunction with the Offering. In the 13 and 39 week periods ended September 25, 2016, this amount includes non-cash, share-based compensation.
- (2) Represents non-recurring foreign exchange gain on the Credit Facility. The Credit Facility was repaid during the 13 week period ended March 26, 2017.
- (3) Represents expenses relating to the Offering (that relate to the selling shareholders) and other expenses such as Reorganization and restructuring costs.
- (4) Represents commission costs paid under the Chicago master franchise agreement for which the Company bought back the Master Franchise Agreement as part of the acquisition of 100% of the membership interests in MHD, LLC completed during the 13 week period ended June 25, 2017.
- (5) Related tax effects are calculated at statutory rates in Canada or U.S. depending on adjustment.
- (6) Represents the Canadian dollar Pro Forma Adjusted EBITDA converted at the average exchange rates for each respective period.

The Company's unaudited interim consolidated financial statements for the 13 and 39 week periods ended September 24, 2017 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Source: Freshii Inc.

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