



Freshii Inc. Announces First Quarter 2019 Results

TORONTO, May 09, 2019 (GLOBE NEWSWIRE) -- Fast-growing health and wellness brand [Freshii Inc.](#) (TSX: FRII) (the "Company") today announced financial results for the 13-week period ended March 31, 2019 ("Q1 2019").

Highlights for the First Quarter Fiscal 2019:

- ▮ The Company's system-wide sales grew to \$43.2 million in Q1 2019, an increase of 11%, compared to the 13 weeks ended April 1, 2018 ("Q1 2018");
- ▮ The Company opened 7 net new stores in Q1 2019, comprised of 21 openings and 14 closures. During the 52 weeks ended March 31, 2019, the Company opened 50 net new stores, resulting in year-over-year net new store growth of 12%;
- ▮ Royalty revenue and coordination fees, the Company's most predictable and stable recurring revenue streams, totaled \$4.1 million for Q1 2019, an increase of \$0.5 million, or 14%, over Q1 2018;
- ▮ Same-store sales growth for Q1 2019 was (0.9%), compared to same-store sales growth of 1.6% for Q1 2018;
- ▮ Net income was \$0.1 million for Q1 2019, compared to \$0.4 million in Q1 2018;
- ▮ Adjusted EBITDA was \$1.1 million for Q1 2019, compared to \$1.5 million in Q1 2018;
- ▮ Selling, general, and administrative costs were \$3.8 million in Q1 2019, and \$3.4 million when normalized to remove severance costs. Selling, general and administrative costs were \$3.8 million for the 13 weeks ended December 30, 2018 ("Q4 2018"), and \$3.6 million when normalized to remove severance costs. This represents a quarter over quarter decrease of \$0.2 million or 6%, in normalized Selling, general and administrative costs in Q1 2019. The company considers severance costs to be non-recurring in nature.
- ▮ The Company adopted IFRS 16 on December 31, 2018, a new standard on leases that affects the manner in which the Company records the expense of lease obligations. See note 3 in the Company's interim financial statements for Q1 2019 (available at www.sedar.com) for further details and a summary of these changes; and,
- ▮ Subsequent to Q1 2019, the Company's Chief Financial Officer, Craig De Pratto, resigned to pursue another opportunity. Craig De Pratto will remain with the Company until May 10, 2019, to assist in an orderly transition. The Company is in the process of conducting a formal search for a new Chief Financial Officer.

Matthew Corrin, Chairman and Chief Executive Officer of Freshii, commented,

"In Q1 2019, we were heavily focused on expanding our traditional and digital marketing efforts, streamlining and upgrading our menu and continuing to invest in our technology solutions. We were pleased with the positive trend in same store sales, the opening of 21 new stores even as we continued to prune the bottom performing locations, as well as the growth of our omni-channel network. That said, we still have more work ahead of us to drive the consistent quarterly growth that we expect for Freshii."

Earnings Conference Call and Audio Webcast:

A conference call to discuss first quarter and 2019 financial results is scheduled for May 10, 2019, at 8:30 a.m. Eastern Time. 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 11:30 a.m. Eastern Time on Friday, May 10, 2019 through Friday, May 17, 2019. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13690067. The call will also be webcast live from Freshii's investor relations website at www.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 and wellness brand on a mission to help citizens of the world live better by making healthy eating convenient and affordable. 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 446 restaurants in 16 countries around the world. Now, guests can energize with Freshii's menu anywhere from cosmopolitan cities and fitness clubs to sports arenas and airplanes.

Inquire about how to join the Freshii family: <https://www.freshii.com/ca/en-ca/franchise>.

Learn more about investing in Freshii: <http://www.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", "free cash flow", "free cash flow conversion" and "Adjusted Net Income". This news release also makes reference to "system-wide sales", "system-wide stores", and "same-store sales growth" 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 May 9, 2019, 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, same-store sales growth, negotiations with certain non-traditional partners, the commencement of the Company's NCIB program, the Company's belief that the price of its Class A subordinate voting shares does not reflect their value and the potential for the Company to enter into an automatic share purchase plan. 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 belief with respect to future strategies, prospects, events, performance and results and including assumptions that negotiations with certain non-traditional partners will proceed on the timelines anticipated and that agreements will be entered into with such non-traditional partners, that the NCIB will be commenced on the timelines anticipated and in respect of the number and price at which the Company will acquire Class A subordinate voting shares in the market, 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 May 9, 2019 and in the Company's other filings, which are 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 Consolidated Information

The following tables summarize our results of operations for the 13 week periods ended March 31, 2019 and April 1, 2018, respectively (in thousands).

	For the 13 weeks ended			
	31-Mar-19		1-Apr-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 4,565	88 %	\$ 4,355	90 %
Company-owned store revenue	607	12	479	10
Total revenue	5,172	100	4,834	100
Costs and expenses				
Cost of sales	567	11	420	9
Selling, general and administrative	3,809	74	2,943	61
Depreciation and amortization	428	8	213	4
Share based compensation expense	148	3	783	16
Total costs and expenses	4,952	96	4,359	90
Income before interest costs, foreign exchange and income taxes	220	4	475	10
Interest expense, net	(45)	(1)	(110)	(2)
Foreign exchange loss (gain)	112	2	(58)	(1)
Income before income tax expense	153	3	643	13
Income tax expense	50	1	212	4
Net income	\$ 103	2 %	\$ 431	9 %

The following table summarizes our Consolidated Statement of Balance Sheet Information as at March 31, 2019, and December 30, 2018:

	As at March 31, 2019	As at December 30, 2018
	(in thousands)	
Cash	\$ 27,586	\$ 26,650
Total assets	50,756	41,274
Equity	31,788	30,875

The following table shows our cash flows information for the 13-week and periods ended March 31, 2019 and April 1, 2018, respectively:

	For the 13 weeks ended	
	31-Mar-19	1-Apr-18
	(in thousands)	
Net cash provided by operations	636	982
Net cash used in investing	(89)	(749)
Net cash used in financing	(83)	(8)
Net increase in cash	<u>\$ 464</u>	<u>\$ 225</u>

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

	For the 13 weeks ended	
	(in thousands)	
	31-Mar-19	1-Apr-18
Net income	\$ 103	\$ 431
Interest income	(45)	(110)
Income tax expense	50	212
Depreciation and amortization	428	213
EBITDA	\$ 536	\$ 746
Adjustments:		
Share-based compensation expense ⁽¹⁾	148	783
Other costs ⁽²⁾	412	-
Adjusted EBITDA	\$ 1,096	\$ 1,529
Adjusted EBITDA C\$⁽³⁾	C\$ 1,458	C\$ 1,934
Less capital expenditures	\$ 89	\$ 449
Free cash flow	\$ 1,007	\$ 1,080
Free cash flow conversion	91.9%	70.6%
Net income	103	431
Adjustments:		
Share-based compensation expense ⁽¹⁾	148	783
Other costs ⁽²⁾	412	-
Related tax effects ⁽⁴⁾	(146)	(204)
Adjusted Net Income	\$ 517	\$ 1,010

Notes:

- (1) In the 13 weeks ended March 31, 2019 and 13 weeks ended April 1, 2018, the Company granted RSUs to executive officers, management, employees, and non-management directors of the Company in conjunction with an annual employee grant and the Offering, respectively. In the 13 weeks ended March 31, 2019 and 13 weeks ended April 1, 2018, this amount includes non-cash, share-based compensation.
- (2) Represents expenses related to severance costs to employees previously employed by the Company.
- (3) Represents the Canadian dollar Adjusted EBITDA converted at the average exchange rates for each respective period.
- (4) Related tax effects are calculated at statutory rates in Canada or U.S. depending on adjustment.

The Company's consolidated financial statements for the 13 week periods ended March 31, 2019, December 31, 2018 and April 1, 2018, and the relevant Management's Discussion and Analysis documents, are available under the Company's profile on SEDAR at www.sedar.com.

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Source: Freshii Inc.