



Freshii Inc. Announces Fourth Quarter and Fiscal 2017 Results

TORONTO, Feb. 22, 2018 (GLOBE NEWSWIRE) -- [Freshii Inc.](#) (TSX:FRII) (the "Company"), the fast-growing health and wellness brand, today announced financial results for the fourth quarter ("Q4 2017") and year ended December 31, 2017 ("fiscal 2017"). Unless otherwise indicated, all amounts are expressed in U.S. dollars. The Company notes that Q4 2017 contained a 14th week, and, consequently, fiscal year 2017 contained a 53rd week. For comparability purposes, same-store sales figures for Q4 2017 and fiscal 2017 are reported on a 13-week and 52-week basis, respectively, and therefore do not include the sales during this extra week. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See "Non-IFRS Measures and Industry Metrics" below.

Highlights for the Fourth Quarter and Fiscal 2017:

- Same-store sales growth for Q4 2017 was 6.4%, building on same-store sales growth of 7.7% for the 13-week period December 25, 2016 ("Q4 2016"). Same-store sales growth for fiscal 2017 was 5.5%, compared to 6.8% for the 52-week period December 25, 2016 ("fiscal 2016").
- The Company opened 25 net new stores in Q4 2017, comprised of 22 front door openings, 6 closures, and 9 e-store openings. For fiscal 2017, the Company opened 92 net new stores (including e-stores), which was in line with the Company's outlook and represents year over year unit growth of 33%.
- Royalty revenue and coordination fees, the Company's recurring revenue streams, totalled \$3.4 million for Q4 2017, an increase of \$1.0 million (or 42%) over Q4 2016. For fiscal 2017, royalty revenue and coordination fees increased approximately \$3.9 million (or 45%) compared to fiscal 2016.
- The Company's highly profitable franchise segment achieved a record 47% income margin for fiscal 2017.
- Adjusted EBITDA was \$2.1 million for Q4 2017 and \$7.2 million for fiscal 2017. The Company estimates that there was no impact to Adjusted EBITDA for Q4 2017 and fiscal 2017 from the extra week.
- Net income (loss) was \$0.6 million for Q4 2017 and (\$1.5) million for fiscal 2017.

Matthew Corrin, Chairman and Chief Executive Officer of Freshii, commented, "We have learned a lot about operating in the public markets and have made progress towards driving our mission and building the start of an omni-channel brand. Our team's focus on improving as each quarter has progressed is noticeable, and we are determined to carry that positive momentum into 2018. In 2017, we posted consistently strong quarterly same-store sales growth throughout the year in a very difficult operating environment within the restaurant industry, while also growing our restaurant base over 30%. Our recurring royalty revenue streams grew 44% year over year, which helped contribute to our record annual franchise segment income margin, and we believe this margin will continue to expand over time. Our asset-lite business model is highly cash generative, and our balance sheet is exceptionally strong, which positions us very well for 2018."

Outlook:

The Company today reiterates its outlook for 2019, which is summarized below:

- System-wide 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 2018 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 dated September 25th, 2017, both of which are available at www.sedar.com.

Our 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 February 22, 2018, at 11:00 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 2:00 p.m. Eastern Time on Thursday, February 22, 2018 through Thursday, March 1, 2018 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 13675986. 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 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 February 20, 2018, 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 February 20, 2018, 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 Fiscal Year 2017 Consolidated Information

The following tables summarize our results of operations for the 14 and 53 week periods ended December 31, 2018 and the 13 and 52 week periods ended December 25, 2016 (in thousands).

	For the 14 and 13 Week Periods Ended			
	December 31, 2017		December 25, 2016	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 4,389	87%	\$ 3,299	83%
Company-owned store revenue	646	13	665	17
Total revenue	5,035	100	3,964	100
Costs and expenses				
Cost of sales	591	12	631	16
Selling, general and administrative	3,099	62	3,186	80
Depreciation and amortization	188	4	162	4
Share based compensation expense	1,048	20	28	1
Total costs and expenses	4,926	98	4,007	101
Income (loss) before interest costs, foreign exchange and income taxes	109	2	(43)	(1)
Interest expense, net	(99)	(2)	334	8
Foreign exchange loss (gain)	(401)	(8)	366	9
Income (loss) before income tax expense	609	12	(743)	(18)
Income tax expense (recovery)	38	1	(252)	(6)
Net income (loss)	\$ 571	11%	\$ (491)	(12%)

The following table summarizes our Consolidated Statement of Balance Sheet Information as at December 31, 2017 and December 25, 2016:

Consolidated Statements of Balance Sheet Information:	As at	As at
	December 31, 2017	December 25, 2016
	(in thousands)	

Cash	\$	28,584	\$	6,581
Total assets		40,638		12,243
Non-current financial liabilities		-		-
Total debt		-		15,000
Equity (deficit)		36,689		(10,492)

The following table shows our cash flows information for the 53 and 52 week periods ended December 31, 2017 and December 25, 2016:

	53 and 52 Week Period Ended	
	December 31, 2017	December 25, 2016
	(in thousands)	
Net cash provided by (used in) operations	(1,089)	4,674
Net cash provided by (used in) investing	(4,233)	655
Net cash provided by (used in) financing	25,846	(1,087)
Net increase (decrease) in cash	<u>\$ 20,524</u>	<u>\$ 4,242</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.

	14 and 13 Week Period Ended		53 and 52 Week Period Ended	
	December 31, 2017	December 25, 2016	December 31, 2017	December 25, 2016
	(in thousands)			
Net income (loss)	\$ 571	\$ (491)	\$ (1,482)	\$ 1,594
Interest expense, net	(99)	334	(204)	642
Income tax expense (recovery)	38	(252)	372	806
Depreciation and amortization	188	162	484	284
EBITDA	\$ 698	\$ (247)	\$ (830)	\$ 3,326
Adjustments:				
Share-based compensation expense ⁽¹⁾	1,048	28	6,694	75
Unrealized foreign exchange gain ⁽²⁾	-	573	-	573
Foreign exchange gain ⁽²⁾	-	-	(481)	-
Transaction and other costs ⁽³⁾	312	1,350	1,782	2,794
Adjusted EBITDA	\$ 2,058	\$ 1,704	\$ 7,165	\$ 6,768
Chicago master agreement commission costs ⁽⁴⁾	-	106	290	496
Pro Forma Adjusted EBITDA	\$ 2,058	\$ 1,810	\$ 7,455	\$ 7,264
Pro Forma Adjusted EBITDA C\$⁽⁶⁾	C\$ 2,611	C\$ 2,401	C\$ 9,681	C\$ 9,264
Less capital expenditures	\$ 37	\$ 40	\$ 226	\$ 319
Free cash flow	\$ 2,021	\$ 1,770	\$ 7,229	\$ 6,945
Free cash flow conversion	98.2%	97.8%	97.0%	95.6%
Net income (loss)	571	(491)	(1,482)	1,594
Adjustments:				
Share-based compensation expense ⁽¹⁾	1,048	28	6,694	75
Unrealized foreign exchange gain ⁽²⁾	-	573	-	573
Foreign exchange gain ⁽²⁾	-	-	(481)	-
Transaction and other costs ⁽³⁾	312	1,350	1,782	2,794
Related tax effects ⁽⁵⁾	(354)	(377)	(2,204)	(759)
Adjusted Net Income	\$ 1,577	\$ 1,083	\$ 4,309	\$ 4,277
Adjustments:				
Chicago master agreement commission costs ⁽⁴⁾	-	106	290	496
Related tax effects ⁽⁵⁾	-	(37)	(102)	(174)
Pro Forma Adjusted Net Income (loss)	\$ 1,577	\$ 1,152	\$ 4,497	\$ 4,599

Notes:

- (1) In the 53 week period ended December 31, 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 52 week periods ended December 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 audited consolidated financial statements for the 14 and 53 week periods ended December 31, 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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