



Freshii Inc. Announces First Quarter Fiscal 2017 Results

TORONTO, May 4, 2017 — [Freshii Inc.](#) (TSX: FRII), a leader in the health-casual restaurant business, today announced financial results for the first quarter ended March 26, 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 First Quarter Fiscal 2017:

- System-wide same-store sales growth increased 6.4%, following 7.3% system-wide same-store sales growth in the prior year period.
- Opened 23 net new stores for a system-wide total of 301 stores.
- Total revenue increased 25% to \$4.0 million compared to \$3.2 million in the prior year period.
- Net income (loss) of \$(0.8) million, or \$(0.03) per share compared to net income of \$0.4 million, or \$0.01 per diluted share in the prior year period.
- Pro Forma Adjusted Net Income increased by 100% to \$1.0 million, or \$0.03 per diluted share⁽¹⁾, compared to \$0.5 million, or \$0.02 per diluted share⁽¹⁾ in prior year period.
- Pro Forma Adjusted EBITDA increased by 78% to \$1.6 million compared to \$0.9 million in the prior year period.

(1) Pro Forma Adjusted Net Income per diluted share for the first quarter of fiscal 2017 and the first quarter of fiscal 2016 is calculated by dividing Pro Forma Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at March 26, 2017 and March 27, 2016 (or 32.1 million diluted shares, and 30.8 million diluted shares, respectively).

Matthew Corrin, Chairman and Chief Executive Officer of Freshii, commented, "We are proud of our 2017 first quarter results, where we delivered net new opening growth in the first quarter of fiscal 2017 of 77% over the same prior year period. In addition, we delivered same store sales growth of 6.4%, our 16th consecutive quarter of positive same store sales growth, and notably this laps the 7.3% same store sales growth that we achieved in the first quarter of 2016. We are in the very early innings of what I see is possible for the Freshii brand, and we remain confident in our strategies to deliver sustainable same store sales growth and drive profitability for our franchise partners."

Outlook:

For fiscal 2017, management is targeting the following:

- 150 to 160 net new franchised store openings to reach 430 to 440 system-wide stores by the end of fiscal 2017; and
- Annual same-store sales growth for all system-wide stores in the range of 3.0% to 4.0%.

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 first quarter financial results is scheduled for May 4, 2017, at 8:00 a.m. ET. The conference call can be accessed live over the phone by dialing 1-855-327-6837 (U.S. and Canada), or 1-631-891-4304 (International). A replay will be available from 11:00 a.m. ET on May 4, 2017 through May 11, 2017, and can be accessed by dialing 1-844-512-2921 (U.S. and Canada), or 1-412-317-6671 (International), and entering replay passcode 10002816.

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" 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. The Company's 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 management 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 4, 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

“Risk Factors” which are described in the Company’s annual information form dated March 22, 2013 filed on 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 table summarizes our results of operations for the 13 week periods ended March 26, 2017 and March 27, 2016:

	13 Week Period Ended	
	March 26, 2017	March 27, 2016
	(in thousands)	
Revenue:		
Franchise revenue.....	3,441	2,404
Company-owned store revenue	584	827
Total revenue.....	\$ 4,025	\$ 3,231
Costs and expenses:		
Cost of sales	502	696
Selling, general and administrative	3,667	1,745
Depreciation and amortization	60	48
Share based compensation expense.....	1,441	21
Total costs and expenses	\$ 5,670	\$ 2,510
Income (loss) before interest costs, foreign exchange and income taxes	\$ (1,645)	\$ 721
Interest expense, net	78	61
Foreign exchange loss (gain).....	(463)	12
Income (loss) before income tax expense	(1,260)	648
Income tax expense (recovery).....	(422)	218
Net income (loss)	\$ (838)	\$ 430
Currency translation adjustment	(1,109)	46
Comprehensive income (loss).....	\$ (1,947)	\$ 476

The following table summarizes our Consolidated Statement of Balance Sheet Information as at March 26, 2017 and March 27, 2016:

	As at	As at
	March 26, 2017	December 25, 2016
	(in thousands)	
Consolidated Statements of Balance Sheet Information:		
Cash	\$ 29,507	\$ 6,581
Total assets	36,446	12,243
Non-current financial liabilities	-	-
Total debt.....	-	15,000
Equity (deficit).....	29,956	(10,492)

The following table shows our cash flows information for the 13 week periods ended March 26, 2017 and March 27, 2016:

	13 Week Period Ended	
	March 26, 2017	March 27, 2016
	(in thousands)	
Net cash provided by (used in) operations	(3,106)	541
Net cash provided by (used in) investing.....	87	(30)
Net cash provided by (used in) financing	26,374	(816)
Net increase (decrease) in cash.....	<u>\$ 23,355</u>	<u>\$ (305)</u>

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

	13 Week Period Ended	
	March 26, 2017	March 27, 2016
	(in thousands)	
Net income (loss)	\$ (838)	\$ 430
Interest expense, net	78	61
Income tax expense (recovery)	(422)	218
Depreciation and amortization	60	48
EBITDA	\$ (1,122)	\$ 757
Adjustments:		
Share-based compensation expense ⁽¹⁾	1,441	21
Foreign exchange gain ⁽²⁾	(481)	-
Transaction and other costs ⁽³⁾	1,608	-
Adjusted EBITDA	\$ 1,446	\$ 778
Chicago master agreement commission costs ⁽⁴⁾	125	106
Pro Forma Adjusted EBITDA	\$ 1,571	\$ 884
Pro Forma Adjusted EBITDA C\$⁽⁶⁾	C\$ 2,080	C\$ 1,218
Less capital expenditures	\$ 43	\$ 35
Free cash flow	\$ 1,528	\$ 849
Free cash flow conversion	97.3%	96.0%

13 Week Period Ended

(in thousands)

	March 26, 2017	March 27, 2016
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Net income (loss)	(838)	430
Adjustments:		
Share-based compensation expense ⁽¹⁾ ..	1,441	21
Foreign exchange gain ⁽²⁾	(481)	-
Transaction and other costs ⁽³⁾	1,608	-
Related tax effects ⁽⁵⁾	(793)	(5)
Adjusted Net Income	\$ 937	\$ 446
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Adjustments:		
Chicago master agreement commission costs ⁽⁴⁾	125	106
Related tax effects ⁽⁵⁾	(44)	(37)
Pro Forma Adjusted Net Income (loss)	\$ 1,018	\$ 515

Notes:

- (1) Represents RSUs granted to executive officers, management, employees, and non-management directors of the Company in conjunction with the Offering in the current period.
- (2) Represents non-recurring foreign exchange on the Credit Facility. The Credit Facility was repaid during the 13 week period ended March 26, 2017.
- (3) Represents other expenses and transaction costs (that relate to the selling shareholders) in connection with the Offering that was completed during the period.
- (4) Represents commission costs paid under the Chicago master franchise agreement for which the Company intends to exercise its buyback provision.
- (5) Related tax effects are calculated at statutory rates in Canada or U.S. depending on adjustment.
- (6) Represents the C\$ 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 week period ended March 26, 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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