



## Freshii Inc. Announces Second Quarter Fiscal 2017 Results

**TORONTO, August 3, 2017** — [Freshii Inc.](#) (TSX: FRII), a leader in the health-casual restaurant business, today announced financial results for the second quarter ended June 25, 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 Second Quarter Fiscal 2017:

- Same-store sales growth for the 13 week period ended June 25, 2017 was 4.2%, compared to 7.0% for the 13 week period ended June 26, 2016.
- Completed buyback of Chicago Master Franchise Agreement, through the acquisition of MHD, LLC for a purchase price of \$4.15 million representing in a reduction of \$0.95 million from the Company's previous disclosure of \$5.1 million.
- Opened 31 net new stores (of which 11 were enhanced openings, as discussed in the Company's Management Discussion and Analysis) for a system-wide total of 332 stores.
- The Company has revised its effective income tax rate from between 33% and 34% to between 29% and 30% for fiscal 2017. The Company's net effective income tax rate reflects the geographic mix of earnings in jurisdictions with different income tax rates.
- Total revenue was flat at \$4.7 million compared to the prior year period.
- Net income (loss) of \$(0.2) million, or \$(0.01) per share compared to net income of \$1.1 million, or \$0.03 per diluted share in the prior year period.
- Pro Forma Adjusted Net Income decreased by 16% to \$1.6 million, or \$0.05 per diluted share <sup>(1)</sup>, compared to \$1.9 million, or \$0.06 per diluted share <sup>(1)</sup> in the prior year period.
- Pro Forma Adjusted EBITDA decreased 24% to \$2.2 million compared to \$2.9 million in the prior year period.

(1) Pro Forma Adjusted Net Income per diluted share for the second quarter of fiscal 2017 and the second 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 June 25, 2017 and June 26, 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 second quarter results in a challenging industry environment, where we delivered same store sales growth of 4.2%, our 17th consecutive quarter of positive same store sales growth, and notably this laps the 7.0% same store sales growth that we achieved in the second quarter of 2016. In addition, we opened 31 net new stores (of which 11 were enhanced openings, as discussed in the Company's Management Discussion and Analysis) in the second quarter, and remain confident in achieving 150-160 net new openings (including stores opened on an enhanced basis as described in the Company's Management

Discussion and Analysis) in 2017. 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 on our guidance through the forecast period and position Freshii at the forefront of the global health and wellness movement.”

#### **Outlook:**

For fiscal 2017, management is targeting the following:

- 150 to 160 net new franchised store openings (including stores opened on an enhanced basis as described in the Company’s Management Discussion and Analysis) 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 second quarter financial results is scheduled for August 3, 2017, at 9:00 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). A replay will be available from 12:00 p.m. ET on August 3, 2017 through August 10, 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 13666749.

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 August 1, 2017, which is available on SEDAR at [www.sedar.com](http://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 August 1, 2017, which is available on SEDAR at [www.sedar.com](http://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 26 week periods ended June 25, 2017 and the 13 and 26 week periods ended June 26, 2016 (in thousands).

	For the 13 Week Periods Ended			
	June 25, 2017		June 26, 2016	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
<b>Revenue</b>				
Franchise revenue.....	\$ 3,975	85%	\$ 3,884	82%
Company-owned store revenue.....	676	15	839	18
Total revenue.....	4,651	100	4,723	100
<b>Costs and expenses</b>				
Cost of sales.....	547	12	692	15
Selling, general and administrative.....	1,902	41	2,467	51
Depreciation and amortization.....	65	1	30	1
Share based compensation expense.....	2,428	53	10	1
Total costs and expenses.....	4,942	107	3,199	68
Income (loss) before interest costs, foreign exchange and income taxes.....	(291)	(7)	1,524	32
Interest expense, net.....	(48)	(1)	63	1
Foreign exchange loss (gain).....	9	0	(88)	(2)
Income (loss) before income tax expense.....	(252)	(6)	1,549	33
Income tax expense (recovery).....	(25)	(1)	495	11
Net income (loss).....	\$ (227)	(5%)	\$ 1,054	22%

	For the 26 Week Period Ended			
	June 25, 2017		June 26, 2016	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
<b>Revenue</b>				
Franchise revenue.....	\$ 7,416	85%	\$ 6,288	79%
Company-owned store revenue.....	1,260	15	1,666	21
Total revenue.....	8,676	100	7,954	100
<b>Costs and expenses</b>				
Cost of sales.....	1,049	12	1,388	17
Selling, general and administrative.....	5,569	64	4,212	54
Depreciation and amortization.....	125	1	78	1
Share based compensation expense.....	3,869	45	31	0
Total costs and expenses.....	10,612	122	5,709	72
Income (loss) before interest costs, foreign exchange and income taxes.....	(1,936)	(22)	2,245	28
Interest expense, net.....	30	0	124	2
Foreign exchange loss (gain).....	(454)	(5)	(76)	(2)
Income (loss) before income tax expense.....	(1,512)	(17)	2,197	28
Income tax expense (recovery).....	(447)	(5)	713	9
Net income (loss).....	\$ (1,065)	(12%)	\$ 1,484	19%

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

<b>Consolidated Statements of Balance Sheet Information:</b>	<b>As at</b>		<b>As at</b>	
	<b>June 25, 2017</b>		<b>December 25, 2016</b>	
	(in thousands)			
Cash .....	\$	25,166	\$	6,581
Total assets .....		36,110		12,243
Non-current financial liabilities .....		-		-
Total debt.....		-		15,000
Equity (deficit).....		32,507		(10,492)

The following table shows our cash flows information for the 26 week periods ended June 25, 2017 and June 26, 2016:

	<b>26 Week Period Ended</b>	
	<b>June 25, 2017</b>	<b>June 26, 2016</b>
	(in thousands)	
Net cash provided by (used in) operations.....	(3,324)	1,688
Net cash provided by (used in) investing.....	(4,144)	(148)
Net cash provided by (used in) financing .....	26,207	(998)
Net increase (decrease) in cash.....	<u>\$ 18,739</u>	<u>\$ 542</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.

	<b>13 Week Period Ended</b>		<b>26 Week Period Ended</b>	
	<b>June 25, 2017</b>	<b>June 26, 2016</b>	<b>June 25, 2017</b>	<b>June 26, 2016</b>
	(in thousands)			
Net income (loss) .....	\$ (227)	\$ 1,054	\$ (1,065)	\$ 1,484
Interest expense, net .....	(48)	63	30	124
Income tax expense (recovery) .....	(25)	495	(447)	713
Depreciation and amortization.....	65	30	125	78
<b>EBITDA</b> .....	<b>\$ (235)</b>	<b>\$ 1,642</b>	<b>\$ (1,357)</b>	<b>\$ 2,399</b>
<b>Adjustments:</b>				
Share-based compensation expense <sup>(1)</sup> .....	2,428	10	3,869	31
Foreign exchange gain <sup>(2)</sup> .....	-	-	(481)	-
Transaction and other costs <sup>(3)</sup> .....	(138)	1,060	1,470	1,060
<b>Adjusted EBITDA</b> .....	<b>\$ 2,055</b>	<b>\$ 2,712</b>	<b>\$ 3,501</b>	<b>\$ 3,490</b>
Chicago master agreement commission costs <sup>(4)</sup> .....	165	142	290	248
<b>Pro Forma Adjusted EBITDA</b> .....	<b>\$ 2,220</b>	<b>\$ 2,854</b>	<b>\$ 3,791</b>	<b>\$ 3,738</b>
<b>Pro Forma Adjusted EBITDA C\$<sup>(6)</sup></b> .....	<b>C\$ 2,990</b>	<b>C\$ 3,679</b>	<b>C\$ 5,065</b>	<b>C\$ 4,986</b>
Less capital expenditures .....	\$ 124	\$ 129	\$ 167	\$ 164
<b>Free cash flow</b> .....	<b>\$ 2,096</b>	<b>\$ 2,725</b>	<b>\$ 3,624</b>	<b>\$ 3,574</b>
<b>Free cash flow conversion</b> .....	<b>94.4%</b>	<b>95.5%</b>	<b>95.6%</b>	<b>95.6%</b>

	13 Week Period Ended		26 Week Period Ended	
	(in thousands)			
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
Net income (loss) .....	(227)	1,054	(1,065)	1,484
<b>Adjustments:</b>				
Share-based compensation expense <sup>(1)</sup> .	2,428	10	3,869	31
Unrealized foreign exchange gain <sup>(2)</sup> .....	-	-	(481)	-
Transaction and other costs <sup>(3)</sup> .....	(138)	1,060	1,470	1,060
Related tax effects <sup>(5)</sup> .....	(595)	(271)	(1,388)	(284)
<b>Adjusted Net Income .....</b>	<b>\$ 1,468</b>	<b>\$ 1,853</b>	<b>\$ 2,405</b>	<b>\$ 2,291</b>
<b>Adjustments:</b>				
Chicago master agreement commission costs <sup>(4)</sup> .....	165	142	290	248
Related tax effects <sup>(5)</sup> .....	(58)	(51)	(102)	(87)
<b>Pro Forma Adjusted Net Income (loss)</b>	<b>\$ 1,575</b>	<b>\$ 1,944</b>	<b>\$ 2,593</b>	<b>\$ 2,452</b>

Notes:

Notes:

- (1) In the 13 week period ended March 26, 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 26 week periods ended June 26, 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 26 week periods ended June 25, 2017 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Source: Freshii Inc.

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