



Freshii Inc. Announces Second Quarter Fiscal 2018 Results

8/9/2018

TORONTO, Aug. 09, 2018 (GLOBE NEWSWIRE) -- Fast-growing health and wellness brand Freshii Inc. (TSX: FRII) (the "Company") today announced financial results for the second quarter ended July 1, 2018 ("Q2 2018"). Unless otherwise indicated, all amounts are expressed in U.S. dollars. Certain metrics, including those expressed on an adjusted basis, are non-IFRS measures. See "Non-IFRS Measures and Industry Metrics" below.

Beginning on January 1, 2018, the Company adopted IFRS 15, a new revenue recognition standard that affects the manner in which the Company records revenue on upfront franchise fees. IFRS 15 has no effect on the cash flows of the business, or the manner in which the Company collects these fees, which is at the time of execution of each franchise agreement. All figures for Q2 2018, the 13-week period ended June 25, 2017 ("Q2 2017"), and the 26-week periods ended July 1, 2018 and June 25, 2017, below are presented as if IFRS 15 was adopted at the beginning of fiscal 2017 for comparability purposes.

Highlights for the Second Quarter Fiscal 2018:

- The Company's system-wide sales grew to \$46.3 million in Q2 2018, an increase of 34% compared to Q2 2017;
- The Company opened 25 net new stores in Q2 2018, comprised of 28 openings and 3 closures, resulting in year-over-year net new store growth of 27%;
- Royalty revenue and coordination fees, the Company's most predictable and stable recurring revenue streams, totaled \$4.2 million for Q2 2018, an increase of 36% over Q2 2017;
- Same-store sales growth for Q2 2018 was 0.9%, building on same-store sales growth of 4.2% for Q2 2017;
- Adjusted EBITDA was \$1.5 million for Q2 2018 compared to \$1.9 million in Q2 2017;
- Proforma Adjusted EBITDA was \$1.5 million for Q2 2018 compared to \$2.0 million in Q2 2017; and
- Net income (loss) was \$0.3 million for Q2 2018 compared to (\$0.4) million in Q2 2017.

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

"In the second quarter, we continued to make progress towards driving our mission of building a global omni-channel health and wellness brand. We continue to be pleased with the results from our partnership with Air Canada, and we will soon open the first wave of elevated grab and go models as part of our partnership with Shell. We are also in late stage negotiations with several other potential non-traditional partners to build out our omni-channel presence. In addition, in the second quarter of 2018, we opened 25 net new restaurants around the world, representing 27% year-over-year net new store growth, and our recurring royalty revenue streams continue to grow in excess of 30% year-over-year, which underscores the asset-lite, cash generative nature of our business model."

Outlook:

The Company reiterates its outlook for the period through the end of fiscal 2019. Specifically, the Company reiterates the following:

- 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 outlook of between 3.0% and 4.0% for the period fiscal 2018 through 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
- Proforma Adjusted EBITDA outlook between a range of \$12 million to \$14 million.

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. Further information on the Company's outlook can be found in the 'outlook' section of Freshii's Q2 2018 Management's Discussion and Analysis, available at www.sedar.com.

Earnings Conference Call and Audio Webcast:

A conference call to discuss second quarter financial results is scheduled for August 10, 2018, at 8:00 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 11:00 a.m. Eastern Time on Friday, August 10, 2018 through Friday, August 17, 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 13681847. 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 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 over 420 restaurants in more than 17 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://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 August 9, 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 August 9, 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 Consolidated Information

The following tables summarize our results of operations for the 13 and 26 week periods ended July 1, 2018 and the 13 and 26 week periods ended June 25, 2017 (in thousands).

	For the 13 weeks ended			
	July 1, 2018		June 25, 2017	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 4,687	84 %	\$ 3,764	85 %
Company-owned store revenue	876	16	676	15
Total revenue	5,563	100	4,440	100
Costs and expenses				
Cost of sales	770	14	547	12
Selling, general and administrative	3,368	60	1,889	43
Depreciation and amortization	209	4	65	1
Share based compensation expense	926	17	2,428	55
Total costs and expenses	5,273	95	4,929	111
Income (loss) before interest costs, foreign exchange and income taxes	290	5	(489)	(11)
Interest expense, net	(106)	(2)	(48)	(1)
Foreign exchange loss (gain)	(48)	(1)	9	-
Income (loss) before income tax expense	444	8	(450)	(10)
Income tax expense (recovery)	146	3	(67)	(1)
Net income (loss)	\$ 298	5 %	\$ (383)	(9)%

	For the 26 weeks ended			
	July 1, 2018		June 25, 2017	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 9,042	87 %	\$ 6,787	84
Company-owned store revenue	1,355	13	1,260	16
Total revenue	10,397	100	8,047	100
Costs and expenses				
Cost of sales	1,190	11	1,049	13
Selling, general and administrative	6,311	62	5,561	69
Depreciation and amortization	422	4	125	2
Share based compensation expense	1,709	16	3,869	48
Total costs and expenses	9,632	93	10,604	132
Income (loss) before interest costs, foreign exchange and income taxes	765	7	(2,557)	(32)
Interest expense, net	(216)	(2)	30	-
Foreign exchange loss (gain)	(106)	(1)	(454)	(5)
Income (loss) before income tax expense	1,087	10	(2,133)	(27)
Income tax expense (recovery)	358	3	(631)	(8)
Net income (loss)	\$ 729	7 %	\$ (1,502)	(19)

The following table summarizes our Consolidated Statement of Balance Sheet Information as at July 1, 2018 and December 31, 2017:

	As at	As at
	July 1, 2018	December 31, 2017
	(in thousands)	
Cash	\$ 29,439	\$ 28,584
Total assets	43,586	42,605
Non-current financial liabilities	—	—
Total debt	—	—
Equity (deficit)	32,255	31,594

The following table shows our cash flows information for the 26 week period ended July 1, 2018 and June 25, 2017:

	For the 26 weeks ended	
	July 1, 2018	June 25, 2017
	(in thousands)	
Net cash provided by (used in) operations	2,782	(3,324)
Net cash provided by (used in) investing	(759)	(4,144)
Net cash provided by (used in) financing	(21)	26,207
Net increase (decrease) in cash	<u>\$ 2,002</u>	<u>\$ 18,739</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.

	For the 13 weeks ended		For the 26 weeks ended	
	July 1, 2018	June 25, 2017	July 1, 2018	June 25, 2017
	(in thousands)			
Net income (loss)	\$ 298	\$ (383)	\$ 729	\$ (1,502)
Interest expense, net	(106)	(48)	(216)	30
Income tax expense (recovery)	146	(67)	358	(631)
Depreciation and amortization	209	65	422	125
EBITDA	<u>\$ 547</u>	<u>\$ (433)</u>	<u>\$ 1,293</u>	<u>\$ (1,978)</u>
Adjustments:				
Share-based compensation expense(1)	926	2,428	1,709	3,869
Foreign exchange gain(2)	—	—	—	(481)
Transaction and other costs(3)	—	(138)	—	1,470
Adjusted EBITDA	<u>\$ 1,473</u>	<u>\$ 1,857</u>	<u>\$ 3,002</u>	<u>\$ 2,880</u>
Chicago master agreement commission costs(4)	—	165	—	290
Pro Forma Adjusted EBITDA	<u>\$ 1,473</u>	<u>\$ 2,022</u>	<u>\$ 3,002</u>	<u>\$ 3,170</u>
Pro Forma Adjusted EBITDA C\$(6)	<u>C\$ 1,901</u>	<u>C\$ 2,709</u>	<u>C\$ 3,835</u>	<u>C\$ 4,216</u>
Less capital expenditures	\$ 310	\$ 124	\$ 759	\$ 167
Free cash flow	<u>\$ 1,163</u>	<u>\$ 1,898</u>	<u>\$ 2,243</u>	<u>\$ 3,003</u>
Free cash flow conversion	<u>79.0 %</u>	<u>93.9 %</u>	<u>74.7 %</u>	<u>94.7 %</u>
Net income (loss)	298	(383)	729	(1,502)
Adjustments:				
Share-based compensation expense(1)	926	2,428	1,709	3,869
Foreign exchange gain(2)	—	—	—	(481)
Transaction and other costs(3)	—	(138)	—	1,470
Related tax effects(5)	(241)	(595)	(444)	(1,263)
Adjusted Net Income	<u>\$ 983</u>	<u>\$ 1,312</u>	<u>\$ 1,994</u>	<u>\$ 2,093</u>
Adjustments:				
Chicago master agreement commission costs(4)	—	165	—	290
Related tax effects(5)	—	(58)	—	(102)
Pro Forma Adjusted Net Income (loss)	<u>\$ 983</u>	<u>\$ 1,419</u>	<u>\$ 1,994</u>	<u>\$ 2,281</u>

Notes:

- (1) In the 26 weeks ended July 1, 2018 and June 25, 2017, 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 and 26 weeks ended July 1, 2018 and June 25, 2017, 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 consolidated financial statements for the 13 and 26 week periods ended July 1, 2018 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

For further information contact:

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