# Freshii Inc. Announces Fourth Quarter and Fiscal 2018 Results

2/21/2019

TORONTO, Feb. 21, 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 December 30, 2018 ("Q4 2018") and fiscal year ended December 30, 2018 ("fiscal 2018").

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 Q4 2018, fiscal 2018, the 14-week period ended December 31, 2017 ("Q4 2017"), and the 53-week period ended December 31, 2017 ("fiscal 2017"), below are presented as if IFRS 15 was adopted at the beginning of fiscal 2017 for comparability purposes.

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.

Highlights for the Fourth Quarter and Fiscal 2018:

- The Company's system-wide sales grew to $40.6 million in Q4 2018 and $171.7 million for fiscal 2018, an increase of 9% and 25%, respectively, compared to Q4 2017 and fiscal 2017;
- The Company opened 8 net new stores in Q4 2018, comprised of 26 openings and 18 closures. For fiscal 2018, the Company opened 69 net new stores, resulting in year-over-year net new store growth of 18%;
- Royalty revenue and coordination fees, the Company's most predictable and stable recurring revenue streams, totaled $4.0 million for Q4 2018, an increase of $0.6 million, or 17%, over Q4 2017. For fiscal 2018, royalty revenue and coordination fees totaled $16.0 million, an increase of $3.5 million, or 28%, compared to fiscal 2017;
- Same-store sales growth for Q4 2018 was (6.1%), compared to same-store sales growth of 6.4% for Q4 2017.

For fiscal 2018, same-store sales growth was (1.2%) compared to 5.5% in fiscal 2017;

- Net income (loss) was ($0.5) million for Q4 2018 and ($0.2) million for fiscal 2018, compared to ($0.6) million in Q4 2017 and ($2.6) million in fiscal 2017;
- Adjusted EBITDA was $1.5 million for Q4 2018 and $5.8 million for fiscal 2018, compared to $1.6 million in Q4 2017 and $6.2 million in fiscal 2017; and
- The Company launched a normal course issuer bid program (“NCIB”) on November 12, 2018. In Q4 2018, the Company purchased a total of 528,008 shares of its Class A subordinate voting stock for a total cost of $1.0 million. Further details on the NCIB can be found in the Company’s third quarter 2018 press release dated November 7, 2018.

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

“We have a lot of important work to do in 2019 to get our business results where we want them to be. Specifically, we will concentrate on simplifying our in-store operations, improving our menu innovation, and investing more significantly in marketing and technology. We will also remain focused on addressing our underperforming stores, and the fourth quarter of 2018 reflects progress on this front.”

Partnership with Walmart Canada

As announced in a separate press release today, Freshii has partnered with Walmart Canada to bring its ‘grab and go’ lineup to at least 100 Walmart sites in Ontario in the first and second quarters of 2019. As with the Company’s previously announced Shell partnership, these ‘grab and go’ lineups will not be included in Freshii’s net unit count.

Appointment of Neil Pasricha to Board of Directors

Freshii also announced today that Neil Pasricha has joined the Company’s Board of Directors, replacing Sean Berry, who was required to tender his resignation as a result of a change in circumstances related to his personal business interests.

Mr. Pasricha is a New York Times bestselling author of five books that have sold over 1,000,000 copies worldwide and have been on bestseller lists for over 200 weeks. Mr. Pasricha spent over a decade at Walmart in various roles focused on leadership development, strategy and communication and reported directly to Walmart's CEO for four of those years. Mr. Pasricha holds Bachelor of Commerce from Queen’s University and an M.B.A. degree from Harvard Business School.

Earnings Conference Call and Audio Webcast:

A conference call to discuss fourth quarter and fiscal 2018 financial results is scheduled for February 22, 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 12:30 p.m. Eastern Time on

Friday, February 22, 2019 through Friday, March 1, 2019. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13687199. 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 439 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://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 21, 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 February 21, 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 and 52 week periods ended December 30, 2018 and the 14 and 53 week periods ended December 31, 2017 (in thousands).

| | For the 13 and 14 weeks ended | | | |
|---|---|---|---|---|
| | December 30, 2018 | | December 31, 2017 | |
| | Amount | Percent of Total Revenue | Amount | Percent of Total Revenue |
| Revenue | | | | |
| Franchise revenue | $ 4,887 | 86 % | $ 4,199 | 87 % |
| Company-owned store revenue | 764 | 14 | 646 | 13 |
| Total revenue | 5,651 | 100 | 4,845 | 100 |
| Costs and expenses | | | | |
| Cost of sales | 866 | 15 | 591 | 12 |
| Selling, general and administrative | 3,777 | 67 | 3,096 | 64 |
| Depreciation and amortization | 769 | 14 | 188 | 4 |
| Share based compensation expense | 790 | 14 | 1,048 | 22 |
| Total costs and expenses | 6,202 | 110 | 4,923 | 102 |
| Loss before interest, foreign exchange and income taxes | (551 ) | (10 ) | (78 ) | (2 ) |
| Interest income, net | (123 ) | (2 ) | (99 ) | (2 ) |
| Foreign exchange gain | (270 ) | (5 ) | (401 ) | (9 ) |
| Income (loss) before income tax expense | (158 ) | (3 ) | 422 | 9 |
| Income tax expense | 325 | 6 | 1,042 | 22 |
| Net loss | $ (483 ) | (9 )% | $ (620 ) | (13 )% |

| | For the 52 and 53 weeks ended | | | |
|---|---|---|---|---|
| | December 30, 2018 | | December 31, 2017 | |
| | Amount | Percent of Total Revenue | Amount | Percent of Total Revenue |
| Revenue | | | | |
| Franchise revenue | $ 18,681 | 86 % | $ 14,697 | 85 |
| Company-owned store revenue | 2,969 | 14 | 2,593 | 15 |
| Total revenue | 21,650 | 100 | 17,290 | 100 |
| Costs and expenses | | | | |
| Cost of sales | 2,775 | 13 | 2,223 | 13 |
| Selling, general and administrative | 13,551 | 63 | 10,805 | 62 |
| Depreciation and amortization | 1,757 | 8 | 484 | 3 |
| Share based compensation expense | 3,388 | 16 | 6,694 | 39 |
| Total costs and expenses | 21,471 | 100 | 20,206 | 117 |
| Income (loss) before interest, foreign exchange and income taxes | 179 | - | (2,916 ) | (17 ) |
| Interest income, net | (464 ) | (2 ) | (204 ) | (1 ) |
| Foreign exchange gain | (343 ) | (2 ) | (658 ) | (4 ) |
| Income (loss) before income tax expense | 986 | 4 | (2,054 ) | (12 ) |
| Income tax expense | 1,186 | 5 | 562 | 3 |
| Net loss | $ (200 ) | (1 )% | $ (2,616 ) | (15 ) |

The following table summarizes our Consolidated Statement of Balance Sheet Information as at December 30, 2018, December 31, 2017, and December 26, 2016:

| | As at December 30, 2018 | As at December 31, 2017 | As at December 26, 2016 |
|---|---|---|---|
| | | (in thousands) | |
| Cash | $ 26,650 | $ 28,584 | $ 6,581 |
| Total assets | 41,274 | 42,605 | 14,438 |
| Non-current financial liabilities | — | — | — |
| Total debt | — | — | 15,000 |
| Equity | 30,875 | 31,594 | (14,338 ) |

The following table shows our cash flows information for the 52-week and 53-week period ended December 30, 2018 and December 31, 2017, respectively:

| | For the 52 and 53 weeks ended | |
|---|---|---|
| | December 30, 2018 | December 31, 2017 |
| | (in thousands) | |
| Net cash provided by (used in) operations | 4,071 | (1,089 ) |
| Net cash used in investing | (3,827 ) | (4,233 ) |
| Net cash provided by (used in) financing | (1,059 ) | 25,846 |
| Net (decrease) increase in cash | $ (815 ) | $ 20,524 |

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 and 14 weeks ended | | For the 52 and 53 weeks ended | |
|---|---|---|---|---|
| | (in thousands) | | | |
| | December 30, 2018 | December 31, 2017 | December 30, 2018 | December 31, 2017 |
| Net loss | $ (483 ) | $ (620 ) | $ (200 ) | $ (2,616 ) |
| Interest income, net | (123 ) | (99 ) | (464 ) | (204 ) |
| Income tax expense | 325 | 1,042 | 1,186 | 562 |
| Depreciation and amortization | 769 | 188 | 1,757 | 484 |
| EBITDA | $ 488 | $ 511 | $ 2,279 | $ (1,774 ) |
| Adjustments: | | | | |
| Share-based compensation expense(1) | 790 | 1,048 | 3,388 | 6,694 |
| Foreign exchange gain(2) | — | — | — | (481 ) |
| Transaction and other costs(3) | 176 | — | 176 | 1,782 |
| Adjusted EBITDA | $ 1,454 | $ 1,559 | $ 5,843 | $ 6,221 |
| Chicago master agreement commission costs(4) | — | — | — | 290 |
| Pro Forma Adjusted EBITDA | $ 1,454 | $ 1,559 | $ 5,843 | $ 6,511 |
| Pro Forma Adjusted EBITDA C$(6) | C$ 1,919 | C$ 1,978 | C$ 7,573 | C$ 8,458 |
| Less capital expenditures | $ 3,068 | $ 37 | $ 3,827 | $ 226 |
| Free cash flow | $ (1,614 ) | $ 1,522 | $ 2,016 | $ 6,285 |
| Free cash flow conversion | (111.0 %) | 97.6 % | 34.5 % | 96.5 % |
| Net loss | (483 ) | (620 ) | (200 ) | (2,616 ) |
| Adjustments: | | | | |
| Share-based compensation expense(1) | 790 | 1,048 | 3,388 | 6,694 |
| Foreign exchange gain(2) | — | — | — | (481 ) |
| Transaction and other costs(3) | 176 | — | 176 | 1,782 |
| Related tax effects(5) | (251 ) | (272 ) | (927 ) | (1,850 ) |
| Adjusted Net Income | $ 232 | $ 155 | $ 2,437 | $ 3,529 |
| Adjustments: | | | | |
| Chicago master agreement commission costs(4) | — | — | — | 290 |
| Related tax effects(5) | — | — | — | (102 ) |
| Pro Forma Adjusted Net Income | $ 232 | $ 155 | $ 2,437 | $ 3,717 |

Notes:

(1) In the 52 weeks ended December 30, 2018 and 53 weeks ended December 31, 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 52 weeks ended December 30, 2018 and 14 and 53 weeks ended December 31, 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 audited consolidated financial statements for the 13 and 52 week periods ended December 30, 2018 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at **www.sedar.com**.

For further information contact:

Investor Relations

**ir@freshii.com**

1.866.337.4265

Source: Freshii Inc.

Source: Freshii Inc.