



Freshii Inc. Announces Second Quarter 2019 Results

8/14/2019

TORONTO, Aug. 14, 2019 (GLOBE NEWSWIRE) -- Fast-growing, health and wellness brand **Freshii Inc.** (TSX: FRII) (the "Company") today announced financial results for the second quarter ended June 30, 2019 ("Q2 2019").

Highlights for the Second Quarter Fiscal 2019:

- System-wide sales grew to \$49.6 million in Q2 2019, compared to \$46.3 million in the 13 weeks ended July 1, 2018 ("Q2 2018"), an increase of 7%;
- The Company opened 8 net new stores in Q2 2019, comprised of 13 openings and 5 closures. During the 52 weeks ended June 30, 2019, the Company opened 33 net new stores, resulting in year-over-year net new store growth of 8%;
- Royalty revenue and coordination fees, the Company's most predictable and stable recurring revenue streams, totaled \$4.8 million for Q2 2019, an increase of \$0.6 million, or 14%, over Q2 2018;
- Same-store sales growth for Q2 2019 was (4.0%), compared to same-store sales growth of 0.9% for Q2 2018;
- Net income was \$0.4 million for Q2 2019, compared to \$0.3 million in Q2 2018, an increase of 33%;
- Adjusted EBITDA was \$1.7 million for Q2 2019, compared to \$1.5 million in Q2 2018, an increase of 13%;
- The Company adopted IFRS 16 on December 31, 2018, which includes a new standard on leases that affects the manner in which the Company records the expense of lease obligations. See note 3 in the Company's interim financial statements for Q2 2019 (available at www.sedar.com) for further details and a summary of these changes;
- The Company appointed Daniel Haroun as Freshii's Chief Financial Officer, effective August 26, 2019. Dan is a CPA and has over a decade of senior financial leadership experience between Restaurant Brands International (which owns and operates the Tim Hortons, Burger King and Popeye's brands) and, most recently, Walmart Canada; and,
- In addition to the arrival of Mr. Haroun, the Company also welcomes Oliver Rodbard as VP, Operations and William (Bill) Schultz to the Board of Directors. Mr. Rodbard comes to Freshii with over 20 years of experience

in restaurant and retail operations management, most recently spending 12 years with Yum! Brands. Mr. Schultz is the former President of Coca-Cola Refreshments Canada.

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

“In Q2 2019, we added strong and experienced leaders to both our board of directors and senior management team. We remained disciplined in operating cost management at both the store level and at HQ, which resulted in strong profitability this quarter in terms of Net Income and free cash flow generation, even as we invest in the people and strategic planning initiatives required to drive same store sales and net opening cadence.

Our omni-channel mission continues to grow: we now sell Freshii in 454 restaurants, 278 retail partner locations and on hundreds of Air Canada flights per day. Notable new retail partnerships include Shoppers Drug Mart and Gateway Newsstands. We will continue to invest in our CPG division in order to fully realize the opportunity we have in front of us.”

Earnings Conference Call and Audio Webcast:

A conference call to discuss Q2 2019 financial results is scheduled for August 14, 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 11:30 a.m. Eastern Time on Wednesday, August 14, 2019 through Wednesday, August 21, 2019. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13692788. The call will also be webcast live from Freshii’s investor relations website at www.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 454 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://www.freshii.com>

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", "free cash flow", "free cash flow conversion" and "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 14, 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 August 14, 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 26 week periods ended June 30, 2019 and July 1, 2018, respectively (in thousands).

	For the 13 weeks ended			
	30-Jun-19		1-Jul-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 5,124	88 %	\$ 4,687	84 %
Company-owned store revenue	666	12	876	16
Total revenue	5,790	100	5,563	100

Costs and expenses				
Cost of sales	577	10	770	14
Selling, general and administrative	3,406	58	3,368	60
Depreciation and amortization	511	9	209	4
Share based compensation expense	511	9	926	17
Total costs and expenses	<u>5,005</u>	<u>86</u>	<u>5,273</u>	<u>95</u>
Income before interest costs, foreign exchange and income taxes	785	14	290	5
Interest income, net	(39)	(1)	(106)	(2)
Foreign exchange loss (gain)	114	2	(48)	(1)
Income before income tax expense	<u>710</u>	<u>13</u>	<u>444</u>	<u>8</u>
Income tax expense	<u>277</u>	<u>5</u>	<u>146</u>	<u>3</u>
Net income	<u>\$ 433</u>	<u>8</u> %	<u>\$ 298</u>	<u>5</u> %

	For the 26 weeks ended			
	30-Jun-19		1-Jul-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 9,689	88 %	\$ 9,042	87 %
Company-owned store revenue	<u>1,273</u>	<u>12</u>	<u>1,355</u>	<u>13</u>
Total revenue	<u>10,962</u>	<u>100</u>	<u>10,397</u>	<u>100</u>
Costs and expenses				
Cost of sales	1,144	10	1,190	11
Selling, general and administrative	7,215	66	6,311	62
Depreciation and amortization	939	9	422	4
Share based compensation expense	659	6	1,709	16
Total costs and expenses	<u>9,957</u>	<u>91</u>	<u>9,632</u>	<u>93</u>
Income before interest costs, foreign exchange and income taxes	1,005	9	765	7
Interest income, net	(84)	(1)	(216)	(2)
Foreign exchange loss (gain)	226	2	(106)	(1)
Income before income tax expense	<u>863</u>	<u>8</u>	<u>1,087</u>	<u>10</u>
Income tax expense	<u>327</u>	<u>3</u>	<u>358</u>	<u>3</u>
Net income	<u>\$ 536</u>	<u>5</u> %	<u>\$ 729</u>	<u>7</u> %

The following table summarizes our Consolidated Statement of Balance Sheet Information as at June 30, 2019, and December 30, 2018:

	As at June 30, 2019	As at December 30, 2018
	(in thousands)	
Cash	\$ 29,364	\$ 26,650
Total assets	52,905	41,274
Equity	33,321	30,875

The following table shows our cash flows information for the 26-week period ended June 30, 2019 and July 1, 2018, respectively:

	For the 26 weeks ended	
	June 30, 2019	July 1, 2018
	(in thousands)	
Net cash provided by operations	2,588	2,782
Net cash used in investing	(367)	(759)
Net cash used in financing	(239)	(21)
Net increase in cash	<u>\$ 1,982</u>	<u>\$ 2,002</u>

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

	For the 13 weeks ended		For the 26 weeks ended	
	(in thousands)			
	30-Jun-19	1-Jul-18	30-Jun-19	1-Jul-18
Net income	\$ 433	\$ 298	\$ 536	\$ 729
Interest income, net	(39)	(106)	(84)	(216)
Income tax expense	277	146	327	358
Depreciation and amortization	511	209	939	422
EBITDA	<u>\$ 1,182</u>	<u>\$ 547</u>	<u>\$ 1,718</u>	<u>\$ 1,293</u>
Adjustments:				
Share-based compensation expense(1)	511	926	659	1,709
Other costs(2)	-	-	412	
Adjusted EBITDA	<u>\$ 1,693</u>	<u>\$ 1,473</u>	<u>\$ 2,789</u>	<u>\$ 3,002</u>
Adjusted EBITDA C\$(3)	<u>C\$ 2,265</u>	<u>C\$ 1,901</u>	<u>C\$ 3,719</u>	<u>C\$ 3,835</u>
Less capital expenditures	\$ 278	\$ 310	\$ 367	\$ 759

Free cash flow	<u>\$ 1,415</u>	<u>\$ 1,163</u>	<u>\$ 2,422</u>	<u>\$ 2,243</u>
Free cash flow conversion	<u>83.6 %</u>	<u>79.0 %</u>	<u>86.8 %</u>	<u>74.7 %</u>
Net income	433	298	536	729
Adjustments:				
Share-based compensation expense(1)	511	926	659	1,709
Other costs(2)	-	-	412	-
Related tax effects(4)	(133)	(241)	(278)	(444)
Adjusted Net Income	\$ 811	\$ 983	\$ 1,329	\$ 1,994

Notes:

(1) In the 13 and 26 weeks ended June 30, 2019 and July 1, 2018, 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.

(2) Represents expenses related to severance costs to employees previously employed by the Company.

(3) Represents the Canadian dollar Adjusted EBITDA converted at the average exchange rates for each respective period.

(4) Related tax effects are calculated at statutory rates in Canada or U.S. depending on adjustment.

The Company's consolidated financial statements for the 13 and 26 week periods ended June 30, 2019, December 31, 2018 and July 1, 2018, and the relevant Management's Discussion and Analysis documents, are available under the Company's profile on SEDAR at www.sedar.com.

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Source: Freshii Inc.

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