



Freshii Inc. Announces Fourth Quarter and Fiscal 2019 Results

TORONTO, Feb. 25, 2020 (GLOBE NEWSWIRE) -- Growing health and wellness brand [Freshii Inc.](#) (TSX: FRII) (the "Company") today announced financial results for the fourth quarter ended December 29, 2019 ("Q4 2019") and fiscal year ended December 29, 2019 ("fiscal 2019").

Highlights for the Fourth Quarter and Fiscal 2019:

- | System-wide sales grew to \$42.4 million in Q4 2019 and \$184.4 million for fiscal 2019, an increase of 4% and 7%, respectively, compared to the thirteen weeks ended December 30, 2018 ("Q4 2018") and the 52 weeks ended December 30, 2018 ("fiscal 2018");
- | The Company opened 6 net new stores in Q4 2019, comprised of 18 openings and 12 closures. During fiscal 2019, the Company opened 31 net new stores, resulting in year-over-year net new store growth of 8%;
- | Royalty revenue and coordination fees totaled \$4.3 million for Q4 2019, an increase of \$0.4 million or 10% over Q4 2018. For fiscal 2019, royalty revenue and coordination fees totaled \$17.9 million, an increase of \$2.1 million or 13%, compared to fiscal 2018;
- | Same-store sales growth for Q4 2019 was (2.0%), compared to same-store sales growth of (6.1%) for Q4 2018. For fiscal 2019, same-store sales growth was (2.7%), compared to (1.2%) in fiscal 2018;
- | Net loss was \$0.5 million for Q4 2019 and \$0.4 million for fiscal 2019, compared to net losses of \$0.5 million in Q4 2018 and \$0.2 million in fiscal 2018;
- | Adjusted EBITDA was \$1.2 million for Q4 2019 and \$5.8 million for fiscal 2019, compared to \$1.5 million for Q4 2018 and \$5.8 million for fiscal 2018;
- | Excluding the impact of reported foreign exchange losses/gains:
 - ° Adjusted EBITDA for Q4 2019 was \$1.3 million, an increase of 8% compared to Q4 2018 (after excluding the impact of the Company's reported foreign exchange loss of \$0.1 million in Q4 2019 and foreign exchange gain of \$0.3 million in Q4 2018).
 - ° Adjusted EBITDA for fiscal 2019 was \$6.0 million, an increase of 10% compared to fiscal 2018 (after excluding the impact of the Company's reported foreign exchange loss of \$0.2 million in fiscal 2019 and foreign exchange gain of \$0.5 million in fiscal 2018).
- | The Company adopted IFRS 16 on December 31, 2018, a new standard on leases that affects the manner in which the Company records the expense of lease obligations. See note 4 in the Company's financial statements for fiscal 2019 (available at www.sedar.com) for further details and a summary of these changes.
- | Steve Smith, formerly an executive at Loblaw Companies and Cara Operations (now Recipe Unlimited), joined the Company's Board of Directors on January 16, 2020.

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

"Freshii has grown into a leading healthy-food brand with more than 700 points of distribution between our growing restaurant network and the ongoing expansion of our retail partnerships. We currently do business in 16 countries, in over 200 cities and growing. In Q4, we grew system-wide sales for the 13th consecutive quarter as a public company and generated strong free cashflow while continuing to enhance our leadership team and our Board of Directors by adding seasoned leaders with a wealth of experience in the restaurant and CPG industries. We enter 2020 with our focus remaining consistent across three pillars; driving sales through marketing and menu initiatives; strengthening the partnership we have with our franchisees; and, delivering a world-class customer experience."

Earnings Conference Call and Audio Webcast:

A conference call to discuss Q4 2019 and fiscal 2019 financial results is scheduled for Wednesday, February 26, 2020, 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, February 26, 2020 through Wednesday, March 4, 2020. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13698630. The call will also be webcast live from Freshii's investor relations website at www.freshii.inc. 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 470 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.inc>.

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 February 25, 2020, 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 and negotiations with certain non-traditional partners. 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, 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 25, 2020 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 weeks periods ended December 29, 2019 and December 30, 2018, respectively (in thousands).

	For the 13 weeks ended			
	29-Dec-19		30-Dec-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 4,726	88%	\$ 4,805	86%
Company-owned store revenue	656	12	764	14
Total revenue	5,382	100	5,569	100
Costs and expenses				
Cost of sales	539	10	866	16
Selling, general and administrative	3,514	66	3,695	66
Depreciation and amortization	669	12	769	14
Share based compensation expense	922	17	790	14
Total costs and expenses	5,644	105	6,120	110
Loss before interest costs, foreign exchange and income taxes	(262)	(5)	(551)	(10)
Interest income, net	(58)	(1)	(123)	(2)
Foreign exchange loss (gain)	90	2	(270)	(5)
Loss before income tax expense	(294)	(6)	(158)	(3)
Income tax expense	193	4	325	6
Net loss	\$ (487)	(10)%	\$ (483)	(9)%

	For the 52 weeks ended			
	29-Dec-19		30-Dec-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 19,621	88 %	\$ 18,599	86 %
Company-owned store revenue	2,608	12	2,969	14
Total revenue	22,229	100	21,568	100
Costs and expenses				
Cost of sales	2,282	10	2,775	13
Selling, general and administrative	14,318	64	13,469	63
Depreciation and amortization	2,851	13	1,757	8
Share based compensation expense	2,079	9	3,388	16
Total costs and expenses	21,530	96	21,389	100
Income before interest costs, foreign exchange and income taxes	699	4	179	-
Interest income, net	(175)	(1)	(464)	(2)
Foreign exchange loss (gain)	245	1	(343)	(2)
Income before income tax expense	629	4	986	4
Income tax expense	995	4	1,186	5
Net loss	\$ (366)	-%	\$ (200)	(1)%

The following table summarizes our Consolidated Statement of Balance Sheet Information as at December 29, 2019, and December 30, 2018:

	As at December 29, 2019	As at December 30, 2018
	(in thousands)	
Cash	\$ 31,615	\$ 26,650
Total assets	53,123	41,274
Equity	34,009	30,875

The following table shows our cash flows information for the 52 weeks ended December 29, 2019 and December 30, 2018, respectively:

	For the 52 weeks ended	
	December 29, 2019	December 30, 2018
	(in thousands)	
Net cash provided by operations	5,770	4,371
Net cash used in investing	(1,178)	(4,127)
Net cash used in financing	(535)	(1,059)
Net increase (decrease) in cash	<u>\$ 4,057</u>	<u>\$ (815)</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 52 weeks ended	
	(in thousands)		(in thousands)	
	29-Dec-19	30-Dec-18	29-Dec-19	30-Dec-18
Net loss	\$ (487)	\$ (483)	\$ (366)	\$ (200)
Interest income, net	(58)	(123)	(175)	(464)
Income tax expense	193	325	995	1,186
Depreciation and amortization	669	769	2,851	1,757
EBITDA	\$ 317	\$ 488	\$ 3,305	\$ 2,279
Adjustments:				
Share-based compensation expense ⁽¹⁾	922	790	2,079	3,388
Other costs ⁽²⁾	-	176	412	176
Adjusted EBITDA	\$ 1,239	\$ 1,454	\$ 5,796	\$ 5,843
Adjusted EBITDA C\$⁽³⁾	C\$ 1,636	C\$ 1,919	C\$ 7,693	C\$ 7,573
Less capital expenditures	\$ 432	\$ 3,068	\$ 947	\$ 4,127
Free cash flow	\$ 807	\$ (1,614)	\$ 4,849	\$ 1,716
Free cash flow conversion	65.1%	(111.0%)	83.7%	29.4%

Net loss	(487)	(483)	(366)	(200)
Adjustments:				
Share-based compensation expense ⁽¹⁾	922	790	2,079	3,388
Other costs ⁽²⁾	-	176	412	176
Related tax effects ⁽⁴⁾	(240)	(251)	(648)	(927)
Adjusted Net Income	\$ 195	\$ 232	\$ 1,477	\$ 2,437

Notes:

(1) In the 13 and 52 weeks ended December 29, 2019 and December 30, 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 audited consolidated financial statements for the 52 week period ended December 29, 2019 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.