



Freshii Inc. Announces Third Quarter 2019 Results; Renewal of Normal Course Issuer Bid

TORONTO, Nov. 13, 2019 (GLOBE NEWSWIRE) -- Fast-growing, health and wellness brand Freshii Inc. (TSX: FRII) (the "Company") today announced financial results for the third quarter ended September 29, 2019 ("Q3 2019").

Highlights for the Third Quarter Fiscal 2019:

- System-wide sales grew to \$49.2 million in Q3 2019, compared to \$45.8 million in the 13 weeks ended September 30, 2018 ("Q3 2018"), an increase of 7%;
- The Company opened 10 net new stores in Q3 2019, comprised of 16 openings and 6 closures. During the 52 weeks ended September 29, 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 Q3 2019, an increase of \$0.6 million or 14% over Q3 2018;
- Same-store sales growth for Q3 2019 was (3.7%), compared to same-store sales growth of (0.8%) for Q3 2018;
- Net income (loss) was (\$0.4) million for Q3 2019, no change compared to Q3 2018;
- Adjusted EBITDA was \$1.8 million for Q3 2019, an increase of \$0.4 million or 29% over Q3 2018;
- Selling, general and administrative expenses were \$3.6 million for Q3 2019, an increase of \$0.1 million or 3% over Q3 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 3 in the Company's interim financial statements for Q3 2019 (available at www.sedar.com) for further details and a summary of these changes.

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 our ever-expanding retail partnerships. We currently do business in 16 countries, in over 200 cities and growing. In Q3 2019, we continued to work closely as a new management team to evolve our strategy for omnichannel growth, while growing system wide sales for the 12th consecutive quarter as a public company and generating strong Adjusted EBITDA and cash-flow. Our increased cash-flow will be valuable as we execute our go-forward strategy based around three pillars: driving sales through marketing and menu initiatives; strengthening the trust and confidence our franchise partners have in our brand; and, delivering a world-class customer experience."

Renewal of Normal Course Issuer Bid Program

The Company also announced that the Toronto Stock Exchange (the "TSX") has accepted the notice filed by the Company to make a normal course issuer bid ("NCIB"). The NCIB effectively renews the previous NCIB, which ended on November 11, 2019 (the "previous NCIB").

In connection with the previous NCIB, the Company sought and received approval from the TSX to establish a normal course issuer bid to purchase up to 2,556,790 of its Class A subordinate voting shares, commencing on November 12, 2018. The previous NCIB terminated on November 11, 2019. Under the previous NCIB, the Company purchased a total of 528,008 Class A subordinate voting shares at an average price of \$1.96 (C\$2.59) net of commission costs.

The NCIB commences on November 18, 2019 and will terminate on November 17, 2020, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX. Under the NCIB, the Company is authorized to purchase up to 2,536,746 of its Class A subordinate voting shares (out of the 25,367,464 Class A subordinate voting shares in the public float of such shares as at November 8, 2019) representing approximately 10% of the public float of its Class A subordinate voting shares as at November 8, 2019, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. As of November 8, 2019, there were 25,778,511 Class A subordinate voting shares issued and outstanding. The average daily trading volume for the six months ended October 31, 2019 was 36,550 Class A subordinate voting shares. Class A subordinate voting shares purchased by the Company will be cancelled.

In deciding to effectively renew the previous NCIB, the Company believes that the market price of the Class A subordinate voting shares may not, from time to time, fully reflect their value and accordingly the purchase of the Class A subordinate voting shares would be in the best interest of the Company and an attractive and appropriate use of available funds.

Purchases will be made by the Company in accordance with the requirements of the TSX and the price which the Company will pay for any such Class A subordinate voting shares will be the market price of any such Class A subordinate voting shares at the time of acquisition, or such other price as may be permitted by the TSX. For purposes of the TSX rules, a maximum of 9,137 Class A subordinate voting shares may be purchased by the Company on any one day under the bid, except where purchases are made in accordance with the "block purchase exception" of the TSX rules.

The Company has not currently entered into an automatic share purchase plan with its broker. However, the Company may in the future enter into such a plan with its broker to allow for the purchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise, provided that the Company does not possess

material non-public information about itself or its securities at the time that it enters into such agreement.

Earnings Conference Call and Audio Webcast:

A conference call to discuss Q3 2019 financial results is scheduled for November 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 Thursday, November 14, 2019 through Thursday, November 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 13695876. 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 464 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 November 13, 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 November 13, 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 39 week periods ended September 29, 2019 and September 30, 2018, respectively (in thousands).

	For the 13 weeks ended			
	29-Sep-19		30-Sep-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 5,206	88%	\$ 4,752	85%
Company-owned store revenue	679	12	850	15
Total revenue	5,885	100	5,602	100
Costs and expenses				
Cost of sales	599	10	719	13
Selling, general and administrative	3,589	62	3,463	62
Depreciation and amortization	1,243	21	566	10
Share based compensation expense	498	8	889	16
Total costs and expenses	5,929	101	5,637	101
Income before interest costs, foreign exchange and income taxes	(44)	(1)	(35)	(1)
Interest income, net	(33)	(1)	(125)	(2)
Foreign exchange loss (gain)	(71)	(1)	33	1
Income before income tax expense	60	1	57	0
Income tax expense	475	8	503	9
Net income (loss)	\$ (415)	(7)%	\$ (446)	(9)%

	For the 39 weeks ended			
	29-Sep-19		30-Sep-18	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 14,895	88%	\$ 13,794	86%
Company-owned store revenue	1,952	12	2,205	14
Total revenue	16,847	100	15,999	100
Costs and expenses				
Cost of sales	1,743	10	1,909	12
Selling, general and administrative	10,804	64	9,774	61
Depreciation and amortization	2,182	13	988	6
Share based compensation expense	1,157	7	2,598	16
Total costs and expenses	15,886	94	15,269	95
Income before interest costs, foreign exchange and income taxes	961	6	730	5
Interest income, net	(117)	(1)	(341)	(2)
Foreign exchange loss (gain)	155	1	(73)	-
Income before income tax expense	923	6	1,144	7
Income tax expense	802	5	861	5
Net income	\$ 121	1%	\$ 283	2%

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

	As at September 29, 2019	As at December 30, 2018
	(in thousands)	
Cash	\$ 29,419	\$ 26,650
Total assets	51,472	41,274
Equity	32,984	30,875

The following table shows our cash flows information for the 39 weeks ended September 29, 2019 and September 30, 2018, respectively:

	For the 39 weeks ended	
	September 29, 2019	September 30, 2018

	(in thousands)	
Net cash provided by operations	3,484	4,491
Net cash used in investing	(755)	(2,747)
Net cash used in financing	(368)	(21)
Net increase in cash	<u>\$ 2,361</u>	<u>\$ 1,723</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 39 weeks ended	
	(in thousands)			
	29-Sep-19	30-Sep-18	29-Sep-19	30-Sep-18
Net income (loss)	\$ (415)	\$ (446)	\$ 121	\$ 283
Interest income, net	(33)	(125)	(117)	(341)
Income tax expense	475	503	802	861
Depreciation and amortization	1,243	566	2,182	988
EBITDA	<u>\$ 1,270</u>	<u>\$ 498</u>	<u>\$ 2,988</u>	<u>\$ 1,791</u>
Adjustments:				
Share-based compensation expense ⁽¹⁾	498	889	1,157	2,598
Other costs ⁽²⁾	-	-	412	-
Adjusted EBITDA	<u>\$ 1,768</u>	<u>\$ 1,387</u>	<u>\$ 4,557</u>	<u>\$ 4,389</u>
Adjusted EBITDA C\$⁽³⁾	<u>C\$ 2,334</u>	<u>C\$ 1,813</u>	<u>C\$ 6,057</u>	<u>C\$ 5,653</u>
Less capital expenditures	\$ 148	\$ 1,988	\$ 515	\$ 2,747
Free cash flow	<u>\$ 1,620</u>	<u>\$ (601)</u>	<u>\$ 4,042</u>	<u>\$ 1,642</u>
Free cash flow conversion	<u>91.6%</u>	<u>(43.3%)</u>	<u>88.7%</u>	<u>37.4%</u>
Net income (loss)	(415)	(446)	121	283
Adjustments:				
Share-based compensation expense ⁽¹⁾	498	889	1,157	2,598
Other costs ⁽²⁾	-	-	412	-
Related tax effects ⁽⁴⁾	(129)	(231)	(408)	(675)
Adjusted Net Income (Loss)	<u>\$ (46)</u>	<u>\$ 212</u>	<u>\$ 1,282</u>	<u>\$ 2,206</u>

Notes:

(1) In the 13 and 39 weeks ended September 29, 2019 and September 30, 2019, 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 39 week periods ended September 29, 2019, December 30, 2018 and September 30, 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.