



# Freshii Inc. Announces First Quarter 2021 Results

5/11/2021

Strong digital sales momentum, with Freshii mobile app sales up 129% vs Q1 2020 and total North American traditional restaurant digital sales mix up to over 40% of total sales vs 20% in Q1 2020

Completes North American in-app delivery functionality rollout

24 more locations open and operating at end of Q1 2021 vs Q4 2020

Maintains strong liquidity position while initiating NCIB purchases

Continued investment to support franchise partners as COVID-19 restrictions persist in major markets

Adds new direct to consumer digital sales channel to apple cider vinegar gummy supplement offering

CPG business enhances in-store branding and expands product line and distribution

TORONTO, May 11, 2021 (GLOBE NEWSWIRE) -- Omnichannel health and wellness brand, Freshii Inc. (TSX: FRII) ("Freshii", the "Company" or "we"), today announced financial results for the first quarter ended March 28, 2021 ("Q1 2021").

"In Q1, the Freshii restaurant network and omnichannel business lines have continued to demonstrate resilience, and have progressed well despite the ongoing challenges presented by the COVID-19 pandemic," said Matthew Corrin, Chairman and Chief Executive Officer of Freshii. "We have continued to support our franchise partners with direct investments in their businesses as well as profitability focused initiatives. We have also maintained our digital journey acceleration, with Freshii's mobile app sales – our fastest growing digital channel – increasing 129% year

over year and standing out as a strengthening pillar of our business. Further, our total North American traditional restaurant digital sales mix also increased to over 40%, as compared to approximately 20% in Q1 2020. Freshii's supplement products are now available in-store as well as on a newly launched Freshii direct-to-consumer website, and our CPG division continues in its expansion process. Freshii has a strong omnichannel foundation in place that we believe will see us through the challenges of today and position us for strength tomorrow."

#### Financial Highlights for the First Quarter

- Same-store sales growth was (18.5%) in Q1 2021.
- As of the end of Q1 2021, the Company had 358 locations open and operating, representing an increase of 24 locations open and operating vs the end of Q4 2020. These 24 additional operating locations as of the end of Q1 2021 vs the end of Q4 2020 were made up of:
  - 7 new store openings;
  - the re-opening of 19 locations that had been classified as 'temporarily closed' as of December 27, 2020; and,
  - the closure of 2 locations that had been open and operating as of December 27, 2020.
- The Company's net new store count for Q1 2021 was (10), made up of 7 store openings and 17 store closures, leading to a total store count of 401 as at the end of Q1 2021. Of these 17 store closures, 2 were closures of locations that were open and operating as of December 27, 2020 while 15 were closures of locations that had been classified as 'temporarily closed' due to the pandemic as of December 27, 2020 (and the majority of which had not been open and operating since Q1 2020).
- As of the end of Q1 2021, the Company had 43 locations categorized as temporarily closed primarily as a result of the pandemic.
- System-wide sales were \$23.3 million in Q1 2021, compared to \$37.2 million for the 13-week period ended March 29, 2020 ("Q1 2020"), representing a decrease of \$13.9 million or 37%.
- Royalty revenue and coordination fees totaled \$2.3 million for Q1 2021, a decrease of \$1.4 million or 38% compared to Q1 2020.
- Net loss was \$1.0 million for Q1 2021, compared to net loss of \$2.5 million in Q1 2020.
- Adjusted EBITDA was (\$0.4) million for Q1 2021, compared to \$0.4 million for Q1 2020.
- Free cash flow was (\$0.4) million for Q1 2021, compared to \$0.1 million for Q1 2020.

#### Strategic Pillars

The Company continues to focus its effort on its strategic pillars, designed to help accelerate Freshii's short-term recovery and position the brand for long-term growth. As previously disclosed, Freshii's 'omnichannel expansion' has been added as a strategic pillar in 2021, given the growth the Company has seen in this aspect of our business

to date as well as Freshii's view that the broader brand exposure and synergies created by omnichannel expansion provide important ancillary benefits to our core restaurant division. As previously disclosed, our strategic pillars are:

1. Focus on Core Business
2. Digital and Delivery Acceleration
3. Develop Dinner as a Second Daypart
4. Omnichannel Expansion

#### Focus on Core Business

In Q1 2021, restaurant traffic across the industry in many of Freshii's key markets continued to be impacted by the COVID-19 pandemic and related mobility restrictions. This led the Company to a continued focus on supporting its restaurant network through this time, while still planning innovative events and launches to drive traffic in the immediate post-pandemic future.

The locations classified by the Company as 'suburban' (Freshii's largest store type by count, consisting of those stores located in primarily residential areas outside of city centres, but excluding malls and non-traditional locations) continue to outperform the rest of the network in sales recovery. Suburban locations have, on average, recovered more than 75% of their Q1 2019 sales levels despite ongoing government restrictions relating to the COVID-19 pandemic in many of the Company's largest markets. Freshii's mall and office locations, however, continue to be most negatively impacted by government restrictions, with many office employees continuing to work remotely and many mall sites shuttered. While according to Google retail and recreation mobility data, mobility (i.e. the movement of people outside of their residences to visit retail and recreation sites) across Canada, our largest geographic market, declined in Q1 2021 vs Q4 2020,<sup>1</sup> the Company was encouraged by the fact that restaurant traffic did not decline with mobility on a linear basis. The Company believes its digital sales progress was a significant factor in partly offsetting this decline in mobility in key markets and remains optimistic that traffic will improve following the anticipated relaxation of government restrictions through H2 2021.

In terms of in-restaurant progress in Q1 2021, following the Q4 2020 introduction of a collection of new Freshii CPG and supplement products to the retail shelves of its Canadian restaurants, the Company completed a post-New Year period launch and promotion of an upgraded juice cleanse campaign, with juice cleanse sales up during the promotion as compared to prior periods. In Q2 2021, the Company is excited to bring its innovative new tacos limited-time offer to Freshii restaurants. The tacos LTO is expected to rollout across North American locations in May of this year and, in Canada, features cauliflower-based soft-shell tortillas, three protein options and a host of Mexican-inspired sauces and flavours. Additionally, Freshii has now launched its elevated customer experience ('CX')



feedback program. The information we're receiving from our guests on an ongoing basis allows the Company to keep customer feedback top of mind as we plan for the future of the brand and its offerings. The Company intends to continue to innovate, test and execute customer-focused menu and operational innovations going forward.

#### Digital and Delivery Acceleration

Freshii's Phase 1 launch of its new mobile app, including the North American system-wide availability of in-app delivery functionality, continues to resonate with our guests. In Q1 2021, growth in sales through the Freshii mobile app continued to accelerate, increasing 129% compared to Q1 2020. North American traditional restaurant digital sales mix was over 40% of total restaurant sales in those locations in Q1 2021, up from 20% in Q1 2020.

#### Develop Dinner as a Second Daypart

The Company's limited time only, cross-Canada launch of its new dinner plates platform in Q4 2020 saw strong early results, with dinner plates driving a higher mix of sales at dinner and an increase in average cheque. Following this test launch, the Company has been working in the kitchen to integrate guest feedback into version 2 of its dinner plates offering and expects to bring an evolved version of this dinner platform to the restaurant system later this year. We remain excited about continuing to grow dinner – which made up over 25% of sales in restaurants open for dinner in Q1 2021, an increase from Q1 2020 – as a second daypart.

#### Omnichannel Expansion

As discussed last quarter, the Freshii brand continues to dedicate effort to the growth of its health and wellness business lines generally, as a complement to its core business of providing great tasting, 'better-for-you', restaurant service. Following the Company's in-store launch of its on-trend Freshii Apple Cider Vinegar ("ACV") gummies, in Q1 2021, the Company has also conveniently made these nutritional supplements available to consumers for delivery directly online. Freshii continues to work on innovation in its new nutritional supplement business line and looks forward to bringing additional products to market in coming periods.

In Q1 2021, the Company's CPG business continued to expand its points of distribution and upgrade its in-store presence. For example, Walmart continued to increase the number of stores offering Freshii products in Q1 2021 and also added additional new Freshii SKUs to their range, including the Company's new energii bite multipacks, which appear to be resonating with consumers based on early sales data. Freshii's popular energii bites are also now available at over 80 Sobeys locations in Ontario and the Company looks forward to continuing to expand and innovate on our energii bites offering. The Company also continues to grow its 'store within a store' CPG presence, with almost 100 Shell locations in Ontario, Alberta and BC now hosting branded, dedicated Freshii coolers to display Freshii's products, along with similar installations at 23 ONroute locations in Ontario. This summer, Freshii's

presence at ONroute service centers will also include outdoor pilon signage, letting drivers know that they can access Freshii's better-for-you on-the-go options when they pull in to refuel. Our CPG division has also recently begun to develop a presence in the food-service channel. For example, the Company has partnered with Sodexo to bring the branded Freshii CPG coolers to a number of hospital sites. We believe the opportunity to expand further into food services with our CPG lineup is an exciting one.

As we continue to increase the channels through which Freshii customers can engage with the brand, we believe that each business line will benefit from the heightened awareness and relevance of the brand as a trusted source of all things health and wellness. For example, we plan to offer Freshii loyalty benefits across all business lines, driving increased brand dedication across categories. We expect that our increased distribution potential will allow us to negotiate more favourable supply costing structures given the economies of scale that the expanding Freshii brand, with its multiple distribution lines, can offer, benefitting both our franchise partners and guests.

#### Franchisee Incremental Investment Program

In Q1 2021, Freshii continued with its investment program to help accelerate the sales recovery of our restaurants through and beyond the COVID-19 period. Through this program, the Company has been supporting our restaurant network in the following areas:

- the launch and adoption of Freshii's new mobile app;
- incremental marketing and loyalty investments;
- the engagement of an enhanced customer experience program; and
- direct support for restaurants that have been more significantly impacted by COVID-19 by reducing their supply chain delivery costs.

The Company intends to continue to deploy resources to these areas, partially funded by the Company's cost management initiatives, to continue to support our franchise partners and enable our brand to emerge from the COVID-19 pandemic in a position of strength.

#### Cost Base Management and Liquidity

We have maintained a strong stable cash position through the pandemic to date, with \$31.2 million on hand as at March 28, 2021. As previously disclosed, we are committed to maintaining adequate liquidity and financial flexibility throughout the COVID-19 pandemic, while also investing in strategic priorities across our restaurant, CPG and other divisions. We intend to continue to make efforts in order to maintain our strong cash position in the coming quarters while still reinvesting for growth across our business divisions.

The Company also continues to assist franchise partners in managing their restaurant level cost base. In addition to offering certain of its franchise locations a limited, more streamlined, menu, that allows for improvement in food, labour and operational costs, the Company has initiated inventory management system improvements and labour productivity tools to help partners reduce waste and manage costs. Assisting our restaurants in controlling costs, while still delivering the quality service and products that our guests have come to expect, is key to protecting franchise partner profitability as the COVID-19 pandemic continues to challenge consumer traffic through at least the first half of 2021.

#### Normal Course Issuer Bid

In Q1 2021, the Company also announced that the Toronto Stock Exchange (the "TSX") had accepted the notice filed by the Company to make a normal course issuer bid ("NCIB"). The Company sought and received approval from the TSX to establish a normal course issuer bid to purchase up to 2,582,944 of its Class A subordinate voting shares, commencing on March 2, 2021. As of May 10, 2021, the Company has purchased 352,582 of Class A subordinate voting shares since the commencement of the NCIB, at an average share price of C\$2.09.

#### Earnings Conference Call and Audio Webcast:

A conference call to discuss Q1 2021 financial results is scheduled for May 12, 2021, 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, May 12, 2021 through Wednesday, May 19, 2021. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13718637. The call will also be webcast live from Freshii's investor relations website at [www.freshii.inc](http://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 an omnichannel health and wellness brand on a mission to help citizens of the world live better by making healthy eating and overall wellness 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's restaurant division caters to every taste and dietary preference. Freshii's expansion into the consumer-packaged goods (CPG) and, most recently, nutritional supplements spaces have increased the touchpoints that Freshii has with its customers.

Since it was founded in 2005, Freshii has opened 401 restaurants in 15 countries around the world, has expanded

its CPG lineup across hundreds of major retailer points of distribution and now offers nutritional supplement products in-store and directly to consumers via its online retail site. Now, guests can energize with Freshii's products anywhere from cosmopolitan cities and fitness clubs to sports arenas and airplanes, as well as in major retail outlets and, in some cases, directly from home.

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", "Adjusted EBITDA on a constant currency basis", "free cash flow", "free cash flow conversion" and "Adjusted Net Income". This news release also makes reference to "system-wide sales", "system-wide stores", "same-store sales growth", and "digital sales" 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 May 11, 2021, which is available on SEDAR at [www.sedar.com](http://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, the recovery of the Company's franchise system, that healthy eating trends will continue, the Company's strategic pillars, the timelines for and effectiveness of new menu rollouts and operational innovations, the Company's plans with respect to its Franchisee Incremental Investment Program, the ability of the Company to generally maintain its existing cash position and to reinvest, the growth of and investment in the dinner daypart, the Company's plans with respect to its CPG business line, the anticipated benefits of the Company's omnichannel expansion, the Company's vitamin and supplement business, the Company's provision of assistance to its franchise partners, and the extent of the expected impact of the COVID-19 pandemic and associated government regulation on Freshii's business, operations and financial performance. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe", "lead", "continue", "plan", "design", "likely", "looks forward" 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. In particular, the Company notes that the dynamic nature of the COVID-19 pandemic and the events and circumstances resulting from or associated with that pandemic mean that management can offer no assurance such forward-looking information or forward-looking statements will occur or be accurate in the circumstances.

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. These estimates, opinions and assumptions include that the COVID-19 pandemic and associated government regulation, expected consumer behaviour and other matters will not have a materially different impact on the business, operations or financial performance than currently anticipated by management, the continued availability of food commodities used by Freshii locations at stable prices, the availability and timely receipt of funds expected by management to be received in connection with applicable government relief programs, that Freshii will be able to continue to effectively assist its franchise partners, that the recovery and re-opening of the economies (including the dates upon which various regions are permitting restaurants to reopen for dine-in service) in Canada and the United States and elsewhere will occur in the manner and on the timelines anticipated by management, the continued access by the Company and its franchise partners to a pool of suitable workers at reasonable wage levels, that the foreign exchange rates may continue to fluctuate (in particular, that the value of the Canadian dollar will continue to fluctuate against the US dollar and other currencies), that the recovery of Freshii's franchise system occurs on the timelines and in the manner anticipated, that healthy eating trends continue in the manner anticipated, that the Company's strategic pillars, the timelines for new menu rollouts and operational innovations,

the rollout of the Company's new app and any future phases of the rollout, the Company's partnerships with Walmart Canada and other major grocery retailers and investments in its CPG business line, the implementation of the Company's Franchisee Incremental Investment Program, the anticipated growth in the dinner daypart, the Company's ability to develop a vitamin and supplement business line, and the development of strategies to drive down costs with franchise partners and cost control activities at the corporate level will each have the anticipated effect on the Company's business, operations and financial performance and will proceed on the timelines and in the manner currently anticipated by management and are subject to inherent risks and uncertainties surrounding future expectations generally, including that such estimates, opinions and assumptions may not be accurate, particularly given the dynamic nature of the COVID-19 pandemic and the events and circumstances resulting from or associated with that pandemic. 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 May 11, 2021 and in the Company's other filings, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Readers are urged to consider these 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 table summarizes our results of operations for the 13 week periods ended March 28, 2021 and March 29, 2020, respectively:

(in thousands)	For the 13 weeks ended			
	March 28, 2021		March 29, 2020	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 2,650	92%	\$ 4,081	90%
Company-owned revenue	244	8	478	10
Total revenue	2,894	100	4,559	100
Costs and expenses				
Cost of sales	212	7	393	9
Selling, general and administrative	3,045	105	5,348	117
Depreciation and amortization	313	11	1,724	38
Share based compensation expense	544	19	699	15
Total costs and expenses	4,114	142	8,164	179
Loss before interest, foreign exchange & income taxes	(1,220)	(42)	(3,605)	(79)
Interest income, net	4	-	(54)	(1)
Foreign exchange loss (gain)	134	5	(535)	(12)
Loss before income tax expense	(1,358)	(47)	(3,016)	(66)
Income tax expense (recovery)	(311)	(11)	(530)	(12)
Net loss	(1,047)	(36)	(2,486)	(54)

Currency translation adjustment		667	23	(2,348)	(52)
Comprehensive loss	\$	(380)	(13%)	\$ (4,834)	(106%)

The following table summarizes our Consolidated Statement of Balance Sheet Information as at March 28, 2021 and March 29, 2020:

(in thousands)		As at March 28, 2021		As at December 27, 2020
Cash	\$	31,225	\$	31,607
Total assets		47,990		49,269
Equity		32,155		32,307

The following table shows our cash flows information for the 13 week periods ended March 28, 2021 and March 29, 2020, respectively:

(in thousands)		For the 13 weeks ended	
		March 28, 2021	March 29, 2020
Net cash provided by operations	\$	(708)	\$ 1,242
Net cash used in investing		(20)	(290)
Net cash used in financing		(297)	(125)
Net increase (decrease) in cash	\$	(1,025)	\$ 827

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:

(in thousands)		For the 13 weeks ended	
		March 28, 2021	March 29, 2020
Net loss	\$	(1,047)	\$ (2,486)
Interest income, net		4	(54)
Income tax expense (recovery)		(311)	(530)
Depreciation and amortization		313	1,724
EBITDA		(1,041)	(1,346)
Adjustments:			
Share-based compensation expense(1)		544	699
Foreign exchange (gain) loss		134	(535)
Other costs(2)		-	1,577
Adjusted EBITDA		(363)	395
Constant currency remeasurement		-	(32)
Adjusted EBITDA on a constant currency basis	\$	(363)	\$ 363
Less capital expenditures		38	290

Free cash flow	\$	(401)	\$	105
Free cash flow conversion		n/a		26.6%
Net loss		(1,047)		(2,486)
Adjustments:				
Share-based compensation expense(1)		544		699
Foreign exchange (gain) loss		134		(535)
Other costs(2)		-		1,577
Related tax effects(3)		(180)		(461)
Adjusted Net Income (Loss)	\$	(549)	\$	(1,206)

Notes:

(1) In the 13 week periods ended March 28, 2021 and March 29, 2020, the Company granted RSUs to executive officers, management, employees, and non-management directors of the Company in conjunction with an annual employee grant.

(2) For the 13 week period ended March 29, 2020, represents certain professional fees associated with one-time investments in the Company's growth strategy.

(3) 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 week periods ended March 28, 2021 and March 29, 2020 and the relevant Management's Discussion and Analysis documents, are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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Source: Freshii Inc.

1 Source: <https://www.google.com/covid19/mobility/>

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