



Freshii Inc. Announces First Quarter 2020 Results

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Freshii outlines 2020 strategic pillars of growth to accelerate recovery

Same-store sales recovery showing consistent week over week improvement into Q2

Over 80% of North American locations, and 69% globally, have reopened in some capacity

Freshii maintains a strong liquidity position and healthy cash balance through pandemic to date

TORONTO, June 26, 2020 (GLOBE NEWSWIRE) -- Health and wellness brand Freshii Inc. (TSX: FRII) ("Freshii" or the "Company"), today announced financial results for the first quarter ended March 29, 2020 ("Q1 2020").

Given the relative proximity to the release date for the Company's interim disclosure for the period ending June 28, 2020 ("Q2 2020"), the Company intends to host its next investor conference call immediately following the release of its Q2 2020 earnings. All figures below are presented in US dollars unless otherwise indicated.

Highlights for the First Quarter:

- System-wide sales were \$37.2 million in Q1 2020, compared to \$43.2 million for the 13 week period ended March 31, 2019 ("Q1 2019"), representing a decrease of \$6.0 million or 14%;
- The Company had 3 net store closures in Q1 2020, comprised of 5 openings and 8 closures;
- Royalty revenue and coordination fees totaled \$4.1 million for Q1 2020, a decrease of \$0.4 million or 11% compared to Q1 2019;
- Same-store sales growth for Q1 2020 was (14.3%), compared to same-store sales growth of (0.9%) for Q1 2019;
- Net loss was \$2.5 million for Q1 2020, compared to net income of \$0.1 million in Q1 2019; and
- Adjusted EBITDA was \$0.4 million for Q1 2020, compared to \$1.2 million for Q1 2019.

COVID-19 Impact – Key Metrics:

- Same-store sales growth during the last two weeks of March 2020 reached a low point for the pandemic period to date at (77%), with 37% of the Company's global restaurants closed as at March 29, 2020;
- Approximately 50% of the Company's global restaurants were closed during the week of April 12, 2020, representing the low point to date in terms of proportion of Freshii restaurants open;
- Through Q2 2020 to date, Freshii restaurants have gradually been reopening and same-store sales have gradually improved on a week over week basis;
- Approximately 69% of Freshii's global restaurants, including over 80% of North American stores, were open during the week of June 21, 2020, with over 100 restaurants offering dine-in at a limited capacity. The stores that remain closed are primarily non-traditional locations in airports and on university campuses, traditional North American stores in malls and business districts that remain closed, and locations outside of North America facing stricter government restrictions;
- Same-store sales trends have improved from their pandemic low point, with 60% of last year's sales recovered during the two week period ending June 21, 2020; and
- Freshii has maintained a strong cash position of \$30.2 million (C\$41 million) as of June 23, 2020, and is committed to maintaining adequate liquidity despite the impact of the pandemic on the restaurant industry.

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

"By now, a number of our peers have laid out some of the unique challenges and opportunities faced by many in the QSR industry today as a result of the COVID-19 pandemic. Despite present industry challenges, the strength of our brand with consumers, our strong balance sheet and asset-light business model, our dedicated franchise partners, our omnichannel diversification, our digital investments, and the tail-wind of the continued shift toward healthy eating globally, lead me to be very confident in the fact that Freshii will come out of this transition period in a position of strength.

In advance of a more fulsome investor discussion following our Q2 interim disclosure in approximately 45 days, in this release you will find a summary of our Q1 results, our response to the pandemic to date, and our plans going forward."

Heightened Health and Safety Standards, Sales Driving Tactics and Franchise Partner Support

In the early stages of the pandemic, in addition to shifting Freshii HQ staff to a virtual work environment, the Company moved quickly to implement heightened restaurant cleanliness and distancing standards in order to ensure the safety of guests and employees. From those standards have evolved a new "COVID Ops" guide, which the Company believes represents a best-in-class set of practices and procedures designed to address the specific

health and safety challenges of the current environment, which are now in place across Freshii's restaurant network. The Company believes that solidifying the confidence of Freshii's guests in their health and safety will be key to continuing to drive traffic to the Company's locations.

In addition to responding quickly to health and safety concerns, Freshii also took steps to promote a strong recovery for its system. The Company moved quickly to temporarily defer collection of certain royalty and advertising funds to assist franchise partners with liquidity challenges and implemented a number of tactics designed to drive sales and support the community at large in the acute early days of the pandemic. Recognizing the heightened importance of communication and trust, Freshii setup bi-weekly conference calls (now weekly) on which the entire franchise partner system and senior management had the opportunity to discuss and work through the pressing issues of the day. From a sales driving point of view, the Company began offering healthy produce-based grocery bundles for delivery and added combo meals to its menu (to better accommodate the increased orders going to multiple diners). Additionally, Freshii also organized the customer and franchise partner led donation of thousands of meals to front-line hospital workers across North America, helping to energize those tackling the most difficult aspects of the pandemic response. These short-term tactics – some of which the Company anticipates keeping in place for the longer-term – helped to support sales and bolster franchise partner confidence in the early days of the pandemic response.

Realignment of 2020 Strategic Pillars

As a result of the pandemic, the Company has re-prioritized certain projects to address shifting consumer needs and market realities. Freshii's current restaurant business efforts are organized around the following three workstreams:

a. Re-establishing the Core Business to Lead Recovery

Freshii's strong position in the healthy restaurant industry has been built on the lunch daypart segment. It is essential that the Company continue to deliver a best-in-class experience to core restaurant customers and maintain its reputation as a leader in this space. Efforts to solidify the Company's core lunch business include:

- continued menu and ingredient improvement, with elevated chicken introduced across Ontario in Q1 2020 and showing early positive results (Canada wide roll-out anticipated in Q3 2020);
- the hire of a new VP of Restaurant Marketing, Veronica Castillo, who joined the Company after 7 years leading marketing for the Taco Bell brand in Canada;
- a consistent local and national digital marketing presence and social media engagement, promoting Freshii favourites to the Company's customer base; and
- consistent customer feedback and focus groups that provide insight into how our most frequent guests are

thinking.

b. Digital and Delivery Acceleration

The pandemic has accelerated the restaurant industry's shift to the digital sales environment. Freshii recently finalized North American agreements with both DoorDash and UberEats and has largely completed the rollout of these platforms across its network. Additionally, the Company is accelerating the final stages of the new Freshii app launch, which will include in-app delivery functionality and an improved customer loyalty experience, and expects to launch before the end of 2020.

c. Growth of the Dinner Daypart

Freshii has seen an increase in the dinner daypart as a percentage of sales as compared to pre-COVID-19 periods. As announced in the Company's press release earlier this week, Freshii launched its first market test of the Company's new dinner plates platform in Vancouver, Canada. The chef and nutritionist designed dinner plates offering, which comes complete with family meal options and sides, will be available for dine in, takeout, or delivery.

Cost Base Management and Liquidity

With the pressure on top line sales, it's been essential that Freshii take action in terms of managing its cost base, both at the restaurant level and at the corporate level. At the restaurant level, Freshii is working with its franchise partners to develop strategies to drive down costs and is currently testing some of these strategies. At a corporate level, the Company is committed to retaining sufficient liquidity despite the pandemic's impact on the restaurant industry. Freshii's cash position as at June 23, 2020 was \$30.2 million (C\$41 million). This is attributable in part to the set of cost control activities implemented by the Company, including eliminating discretionary spend, temporary salary reductions for Freshii's executive team and head office personnel, accessing government support programs such as the Canada Emergency Wage Subsidy, and working constructively with its head office and corporate store location landlords to reduce fixed costs during this period.

In the face of change brought about by the COVID-19 pandemic, Freshii is working to create a new way of being that combines the best of what the Company has been to date with the essential components of what the new reality is expected to require. The entrepreneurial, fast moving mindset that defined Freshii's early years has been reengaged and we look forward to discussing our progress with you soon.

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 grown to operate 467 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", "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", 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 June 26, 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, negotiations with certain non-traditional partners, the recovery of the Company's franchise system, that healthy eating trends will continue, the effectiveness of the Company's "COVID Ops" guide and its actions to drive sales and reduce or manage costs, the continuation of certain short-term tactics over the longer term, the effectiveness of the Company's realignment of its 2020 strategic pillars, the timelines for and effectiveness of new menu rollouts (including chicken), the Company's new app and the growth of the dinner daypart 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" 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, the eventual recovery of economic conditions in Canada and the dates upon which various regions are permitting restaurants to reopen for dine-in service, the United States and elsewhere, 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 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 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 COVID Ops guide will be effective in addressing the health and safety challenges in the current circumstances, that any short-term tactics adopted by the Company over the longer term, the re-alignment of the Company's 2020 strategic pillars, the timelines for new menu rollouts, the development of the Company's new app, the anticipated growth in the dinner daypart 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. 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 June 26, 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 table summarizes our results of operations for the 13 week periods ended March 29, 2020 and March 31, 2019, respectively:

(in thousands)	For the 13 weeks ended			
	March 29, 2020		March 31, 2019	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 4,081	90 %	\$ 4,535	88 %
Company-owned store revenue	478	10	607	12
Total revenue	4,559	100	5,142	100
Costs and expenses				
Cost of sales	393	9	567	11
Selling, general and administrative	5,348	117	3,779	74
Depreciation and amortization	1,724	38	428	8
Share based compensation expense	699	15	148	3
Total costs and expenses	8,164	179	4,922	96
Income before interest, foreign exchange & income taxes	(3,605)	(79)	220	4
Interest income, net	(54)	(1)	(45)	(1)
Foreign exchange loss (gain)	(535)	(12)	112	2
Income before income tax expense	(3,016)	(66)	153	3
Income tax expense	(530)	(12)	50	1
Net loss	(2,486)	(55)	103	2

Currency translation adjustment	(2,348)	(52)	635	12
Comprehensive income (loss)	\$ (4,834)	(106 %)	\$ 738	14 %

The following table summarizes our Consolidated Statement of Balance Sheet Information as at March 29, 2020 and December 29, 2019:

(in thousands)	As at March 29, 2020	As at December 29, 2019
Cash	\$ 30,762	\$ 31,615
Total assets	48,992	53,046
Equity	29,791	33,921

The following table shows our cash flows information for the 13 week periods ended March 29, 2020 and March 31, 2019, respectively:

(in thousands)	For the 13 weeks ended	
	March 29, 2020	March 31, 2019
Net cash provided by operations	\$ 1,242	\$ 718
Net cash used in investing	(290)	(89)
Net cash used in financing	(125)	(165)
Net increase (decrease) in cash	\$ 827	\$ 464

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 29, 2020	March 31, 2019
Net loss	(2,486)	103
Interest income, net	(54)	(45)
Income tax expense	(530)	50
Depreciation and amortization	1,724	428
EBITDA	(1,346)	536

Adjustments:		
Share-based compensation expense(1)	699	148
Foreign exchange (gain) loss	(535)	112
Other costs(2)	1,577	412
Adjusted EBITDA	395	1,208
Constant currency remeasurement	-	(3)
Adjusted EBITDA on a constant currency basis	395	1,205
Less capital expenditures	290	89
Free cash flow	105	1,119
Free cash flow conversion	26.6 %	92.6 %
Net loss	(2,486)	103
Adjustments:		
Share-based compensation expense(1)	699	148
Foreign exchange (gain) loss	(535)	112
Other costs(2)	1,577	412
Related tax effects(3)	(461)	(178)
Adjusted Net Income (Loss)	(1,206)	597

Notes:

- (1) In the 13 week periods ended March 29, 2020 and March 31, 2019, 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 an accrual for accounting purposes of certain professional fees associated with one-time investments in the Company's growth strategy. See also "Selling, General and Administrative" in "Results of Operations" section in the Company's related Management Discussion and Analysis, available on www.sedar.com. For the 13 week period ended March 31, 2019, represents expenses related to severance costs to employees previously employed by the Company.
- (3) Related tax effects are calculated at statutory rates in Canada or U.S. depending on adjustment.

The Company's condensed consolidated interim financial statements for the 13 week period ended 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.

For further information contact:

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Source: Freshii Inc.

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