



Freshii Inc. Announces Fourth Quarter and Fiscal Year 2020 Results and Announces Normal Course Issuer Bid

2/25/2021

Generates positive free cash flow¹ in fiscal 2020

North American digital sales¹ surpassed \$20 million in fiscal 2020, with Freshii mobile app sales up 65% in Q4 2020 vs Q4 2019

Continued deployment of significant investment funds to support franchisees, with additional support planned for 2021

CPG business completes successful Walmart Canada Expansion and launch of other major grocery retailers

Launch of Freshii supplements division with Apple Cider Vinegar gummies now available in-store

Receives TSX Approval for Normal Course Issuer Bid

TORONTO, Feb. 25, 2021 (GLOBE NEWSWIRE) -- Health and wellness brand Freshii Inc. (TSX: FRII) ("Freshii" or, the "Company") today announced financial results for the fourth quarter ended December 27, 2020 ("Q4 2020") and fiscal year ended December 27, 2020 ("fiscal 2020").

"Despite the ongoing challenges presented by COVID-19, the Freshii network has come through 2020 in a strong position for the future beyond the pandemic," said Matthew Corrin, Chairman and Chief Executive Officer of Freshii. "In early 2020, when it became clear that the pandemic would be a difficult and lengthy period for the restaurant industry, we made the decision to focus the majority of our attention on protecting every dollar on the balance sheet, both for the franchise partner and at the corporate level. We knew we needed to invest every extra corporate dollar back into bench-strength building initiatives for the franchise system and developing complimentary adjacent lines of business beyond the restaurant space to grow our omnichannel health and

wellness position overall. While restaurant traffic in the fourth quarter of 2020 and early 2021 have been negatively impacted by further rounds of government restrictions, I am pleased to report that we have achieved significant progress in each of these areas of focus. We were cash flow positive in 2020, we invested in and built considerable customer-and-cost focused technology, operational, marketing and menu systems, continued to develop our CPG business line with new and expanded retailer partnerships and recently began to establish a presence in the exciting vitamin and supplement space, as we brought Freshii Apple Cider Vinegar gummies to store shelves.”

Financial Highlights for the Fourth Quarter

- Same-store sales growth was (28.4%) for Q4 2020;
- Net closures of 9 locations during Q4 2020, comprised of 18 closures and 9 openings;
- System-wide sales were \$23.6 million in Q4 2020, compared to \$42.4 million for the 13-week period ended December 29, 2019 (“Q4 2019”), representing a decrease of \$18.8 million or 44%;
- Royalty revenue and coordination fees totaled \$2.5 million for Q4 2020, a decrease of \$1.8 million or 41% compared to Q4 2019;
- Net loss was \$0.7 million for Q4 2020, compared to net loss of \$0.5 million in Q4 2019;
- Adjusted EBITDA was (\$0.4) million for Q4 2020, compared to \$1.3 million for Q4 2019; and
- Free cash flow was (\$0.5) million for Q4 2020, compared to \$1.2 million for Q4 2019.

Financial Highlights for Fiscal 2020

- Same-store sales growth was (28.4%) for fiscal 2020;
- During fiscal 2020, the Company had 59 net closures, resulting in year-over-year net franchise store decline of 12%;
- System-wide sales were \$104.3 million in fiscal 2020, compared to \$184.4 million for the 52-week period ended December 29, 2019 (“fiscal 2019”), representing a decrease of \$80.1 million or 43%;
- Royalty revenue and coordination fees totaled \$11.1 million for fiscal 2020, a decrease of \$6.9 million or 38% compared to fiscal 2019;
- Net loss was \$3.9 million for fiscal 2020, compared to net loss of \$0.4 million in fiscal 2019;
- Adjusted EBITDA was \$1.0 million for fiscal 2020, compared to \$6.0 million for fiscal 2019; and
- Free cash flow was \$0.4 million for fiscal 2020, compared to \$5.5 million for fiscal 2019.

Strategic Pillars

The Company continues to focus its effort around its strategic pillars, designed to help accelerate Freshii’s short-term recovery and position the brand for long-term growth. We have added our omnichannel expansion as a new strategic pillar this year given the effort invested and success we have had in growing this aspect of our business to date.

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

Focus on Core Business

Following its streamlined menu rollout in select locations and the testing of an all-new superfood smoothie lineup, in Q4, the Company introduced a collection of new products from its CPG division to the retail shelves of its Canadian restaurants. The new lineup of products now available in many of our restaurants, highlighting the synergies available to our omnichannel business, includes additional beverage offerings as well as new flavours of the Company's popular energii bite line. The Company has also recently engaged an evolved customer experience ('CX') program that will allow Freshii to incorporate an even more meaningful level of guest feedback into its strategic planning. 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 was completed during 2020, with strong uptake by our guests. We believe that this materially contributed to the Company's accelerating mobile app sales growth throughout Q4 2020. We have also recently begun piloting in-app delivery, which we expect to drive even more of the Freshii delivery order mix to our own digital assets. In the coming periods, the Company intends to launch a new app-based loyalty program, which we believe will further strengthen the connection and understanding we have with our guests.

To assist the Company in advancing its digital and loyalty goals, Freshii has recently made experienced hires in the areas of technology leadership and loyalty program design and implementation. Freshii's new team members will help the Company drive forward these central areas of its business as we continue to work to optimize our digital presence.

Develop Dinner as a Second Daypart

The Company's limited time only, cross-Canada launch of its new dinner plates platform in Q4 saw strong early results, with dinner plates driving a higher mix of sales at dinner, and an increase in average cheque. The dinner plates launch was accompanied by an integrated marketing campaign across digital channels, as well as a direct

mail campaign, to drive consumer engagement in the offering. We were pleased to see the results of the dinner plate platform, including the mix of dinner sales, which outperformed the previously announced market test in Vancouver, Canada conducted in the summer of 2020. We remain excited about the potential of growing dinner as a second daypart.

Omnichannel Expansion

The Freshii brand as always been as much about the promotion of access to health and wellness generally as it has been about great tasting, 'better-for-you', restaurant service. To that end, the Company has now entered into the on-trend vitamin and supplement space with the launch of Freshii Apple Cider Vinegar ("ACV") gummies, currently available in Freshii locations across Canada. For years, Freshii guests have trusted the Company to provide nutritious meals to help fuel their bodies. Freshii's new ACV gummies are a natural extension of that earned trust - and Freshii's 'health credentials' - to the adjacent vitamin and supplement space and represent a business line the Company intends to continue to pursue and invest in going forward.

Additionally, the Company's CPG business continues to generate strong interest from retailers and consumers, as evidenced by the recent expansion or implementation of partnerships with Walmart Canada and other major grocery retailers. The Company has also continued to add many of its CPG products to the retail shelves in its restaurants, which provides a useful illustration of the synergies that exist by virtue of the Company operating in adjacent health and wellness channels. The Company believes it is in the early days of the growth of Freshii's CPG line of business and plans to continue to develop healthy 'on the go' and 'at home' meal and snack options to meet our Freshii customers on retailer shelves.

Franchisee Incremental Investment Program

As the Company announced in 2020, Freshii has implemented an investment program to help accelerate the sales recovery of our restaurants through and beyond the COVID-19 period. Through this fund, 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 amounts 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 \$31.6 million (C\$40.6 million) on hand as at December 27, 2020. We are committed to maintaining adequate liquidity and financial flexibility throughout the COVID-19 pandemic, while also investing in strategic priorities across both our restaurant and CPG divisions. We intend to continue to make efforts in order to maintain our strong cash position in the coming quarters while continuing to reinvest 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 in the first half of 2021.

Board of Directors Change

After almost four years of service, Michele Romanow has stepped down from the Freshii Board of Directors in order to dedicate additional time to Clearbanc, effective today. The Company thanks Michele for her guidance and dedication over the years on the Freshii Board and wishes her all the best going forward.

Acceptance of Normal Course Issuer Bid Program by TSX

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 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.

The NCIB commences on March 2, 2021 and will terminate on March 1, 2022, 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 2,582,944 of its Class A subordinate voting shares (out of the 25,829,447

Class A subordinate voting shares in the public float of such shares as at February 22, 2021) representing approximately 10% of the public float of its Class A subordinate voting shares as at February 22, 2021, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. As of February 22, 2021, there were 26,379,056 Class A subordinate voting shares issued and outstanding. The average daily trading volume for the six months ended January 31, 2021 was 33,018 Class A subordinate voting shares. Class A subordinate voting shares purchased by the Company will be cancelled.

In deciding to establish an additional 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 8,254 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. On March 2, 2021, the Company expects to enter into an automatic share purchase plan in connection with the NCIB.

In connection with Freshii’s previous NCIB, which ended on November 17, 2020 (the “previous NCIB”), the Company sought and received approval from the TSX to establish a normal course issuer bid to purchase up to 2,536,746 of its Class A subordinate voting shares, commencing on November 18, 2019. The previous NCIB terminated on November 17, 2020. The Company did not purchase any Class A subordinate voting shares under the previous NCIB.

Earnings Conference Call and Audio Webcast:

A conference call to discuss Q4 and Fiscal 2020 financial results is scheduled for February 26, 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 Friday, February 26, 2021 through Friday, March 5, 2021. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13715413. 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 an omnichannel 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 411 restaurants in 15 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", "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 February 25, 2021, 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, the recovery of the Company's franchise system, that healthy eating trends will continue, the effectiveness of the Company's strategic pillars, the timelines for and effectiveness of new menu rollouts and operational innovations, the rollout of the Company's new app and any future phases of the rollout, 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 Company's vitamin and supplement business, the Company's provision of assistance to its franchise partners, the extent of the expected impact of the COVID-19 pandemic and associated government regulation on Freshii's business, operations and financial performance, the commencement of the NCIB, the Company's belief that the price of its Class A subordinate voting shares may not, from time to time, reflect their value and the expectation for the Company to enter into an automatic share purchase plan. 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, 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, that the Company's partnerships with Walmart Canada and other major grocery retailers and investments in its CPG business line continue as expected, 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, that the NCIB will be commenced on the timelines anticipated or at all, that, even if such a normal course issuer bid is commenced, that any Class A subordinate voting shares will be purchased by the Company in the market, and assumptions 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, 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 February 25, 2021 and in the Company's other filings, which are available on SEDAR at 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 and 52 week periods ended December 27, 2020 and December 29, 2019, respectively:

(in thousands)	For the 13 weeks ended			
	December 27, 2020		December 29, 2019	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 2,801	94%	\$ 4,726	88%
Company-owned store revenue	177	6	656	12
Total revenue	2,978	100	5,382	100
Costs and expenses				
Cost of sales	155	5	539	10
Selling, general and administrative	2,385	80	3,514	66
Depreciation and amortization	607	20	669	12
Share based compensation expense	582	20	922	17
Total costs and expenses	3,729	125	5,644	105
Loss before interest, foreign exchange & income taxes	(751)	(25)	(262)	(5)
Interest income, net	18	1	(58)	(1)
Foreign exchange loss (gain)	328	11	90	2
Loss before income tax expense	(1,097)	(37)	(294)	(6)
Income tax expense (recovery)	(375)	(13)	193	4
Net loss	(722)	(24)	(487)	(10)
Currency translation adjustment	1,328	45	513	10
Comprehensive income (loss)	\$ 606	20%	\$ 26	0%

(in thousands)	For the 52 weeks ended			
	December 27, 2020		December 29, 2019	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 12,649	92%	\$ 19,621	88%
Company-owned store revenue	1,029	8	2,608	12
Total revenue	13,678	100	22,229	100
Costs and expenses				
Cost of sales	943	7	2,282	10
Selling, general and administrative	12,495	91	14,318	65
Depreciation and amortization	3,513	26	2,851	13
Share based compensation expense	2,218	16	2,079	9
Total costs and expenses	19,169	140	21,530	97
Income (loss) before interest, foreign exchange & income taxes	(5,491)	(40)	699	3
Interest income, net	10	-	(175)	(1)
Foreign exchange loss (gain)	159	1	245	1
Income (loss) before income tax expense	(5,660)	(41)	629	3
Income tax expense (recovery)	(1,735)	(13)	995	4
Net loss	(3,925)	(29)	(366)	(1)
Currency translation adjustment	459	3	1,373	6
Comprehensive income (loss)	\$ (3,466)	(25%)	\$ 1,007	5%

The following table summarizes our Consolidated Statement of Balance Sheet Information as at December 27, 2020 and December 29, 2019:

(in thousands)	As at December 27, 2020	As at December 29, 2019
Cash	\$ 31,607	\$ 31,615
Total assets	49,269	53,046
Equity	32,307	33,921

The following table shows our cash flows information for the 52 week periods ended December 27, 2020 and December 29, 2019, respectively:

(in thousands)	For the 52 weeks ended	
	December 27, 2020	December 29, 2019
Net cash provided by operations	\$ 369	\$ 5,770
Net cash used in investing	(458)	(1,178)
Net cash used in financing	(327)	(535)
Net increase (decrease) in cash	\$ (416)	\$ 4,057

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		For the 52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
Net loss	\$ (722)	\$ (487)	\$ (3,925)	\$ (366)
Interest income, net	18	(58)	10	(175)
Income tax expense (recovery)	(375)	193	(1,735)	995
Depreciation and amortization	607	669	3,513	2,851
EBITDA	(472)	317	(2,137)	3,305
Adjustments:				
Share-based compensation expense(1)	582	922	2,218	2,079
Foreign exchange (gain) loss	328	90	159	245
Other costs(2)	(855)	-	722	412
Adjusted EBITDA	(417)	1,329	962	6,041
Constant currency remeasurement	-	(1)	-	(35)
Adjusted EBITDA on a constant currency basis	\$ (417)	\$ 1,328	\$ 962	\$ 6,006
Less capital expenditures	123	148	516	515
Free cash flow	\$ (540)	\$ 1,181	\$ 446	\$ 5,526
Free cash flow conversion	n/a	88.9%	46.4%	91.5%
Net loss	(722)	(487)	(3,925)	(366)
Adjustments:				
Share-based compensation expense(1)	582	922	2,218	2,079
Foreign exchange (gain) loss	328	90	159	245
Other costs(2)	(855)	-	722	412
Related tax effects(3)	(15)	(268)	(821)	(725)
Adjusted Net Income (Loss)	\$ (682)	\$ 257	\$ (1,647)	\$ 1,645

Notes:

(1) In the 52 week periods ended December 27, 2020 and December 29, 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 52 week period ended December 27, 2020, represents certain professional fees associated with one-time investments in the Company's growth strategy in addition to one-time settlements paid by the Company with respect to contract terminations. 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 52 week period ended December 29, 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 consolidated financial statements for the 52 week periods ended December 27, 2020 and 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.

For further information contact:

Investor Relations

ir@freshii.com

1.866.337.4265

Source: Freshii Inc.

1 This is a non-IFRS measure. Please refer to the "Non-IFRS Measures and Industry Metrics" section at the end of this press release.

Source: Freshii Inc.