



Freshii Inc. Announces Third Quarter 2020 Results

11/11/2020

- Generates positive free cash flow and maintains strong cash position through Q3
- Strong system-wide sales recovery with more than 70% sequential increase vs Q2
- Same store sales benefitted from average cheque growth vs prior year
- Advancement of strategic agenda continues with North American launch of all-new Freshii app, rollout of dinner plates in Canada and a new streamlined operating model in the US
- Continued deployment of significant investment funds to support franchisees (as announced in Q2 2020)
- CPG business completes successful Q3 launch with ONroute travel hubs

TORONTO, Nov. 11, 2020 (GLOBE NEWSWIRE) -- Health and wellness brand Freshii Inc. (TSX: FRII) ("Freshii" or, the "Company") today announced financial results for the third quarter ended September 27, 2020 ("Q3 2020").

"Although the rolling phases of the COVID-19 pandemic have continued to present significant hurdles for the restaurant industry, we are pleased that our Freshii locations maintained the majority of their Q2 and early Q3 sales recovery through the balance of the third quarter," said Matthew Corrin, Chairman and Chief Executive Officer of Freshii. "Despite pandemic related challenges, we have continued to execute against our strategic agenda and make sound investments to support our franchisees, all while taking prudent steps to actively manage the Company's cash position. We recently successfully introduced the North American market to our new Freshii ordering app, with future phases to include an enhanced loyalty program and a white-label delivery option for Freshii guests. We are encouraged by early download and digital sales trends and look forward to leveraging our new digital platform to continue to remove friction and increase personalization for our guests. We have also continued to invest in the expansion of our share of the dinner daypart, with the recent launch of chef-inspired Plates in Q4, including a selection of proteins and healthy sides, across our Canadian network. We remain optimistic about the opportunity to continue to grow our omnichannel health and wellness brand and are pleased by the

results of our Q3 rollout with ONroute travel hubs and the subsequent extension of that partnership.”

Financial Highlights for the Third Quarter

- Same-store sales growth was (26.8%) for Q3 2020;
- Net closures of 10 locations during Q3 2020, comprised of 14 closures and 4 openings;
- System-wide sales were \$27.5 million in Q3 2020, compared to \$49.2 million for the 13-week period ended September 29, 2019 (“Q3 2019”), representing a decrease of \$21.7 million or 44%;
- Royalty revenue and coordination fees totaled \$3.0 million for Q3 2020, a decrease of \$1.8 million or 37% compared to Q3 2019;
- Net loss was \$0.2 million for Q3 2020, compared to net loss of \$0.4 million in Q3 2019;
- Adjusted EBITDA was \$0.4 million for Q3 2020, compared to \$1.7 million for Q3 2019; and
- Free cash flow was \$0.3 million for Q3 2020, compared to \$1.5 million for Q3 2019.

2020 Strategic Pillars

The Company has outlined 3 strategic pillars for 2020 to help accelerate its short-term recovery and position the brand for long-term growth:

Focus on Core Business

Digital and Delivery Acceleration

Develop Dinner as a Second Daypart

Focus on Core Business

In Q3 2020 and into the current quarter, the Company has continued to invest in the long-term success of its franchised restaurant network. Following on from the successful completion of a Canada-wide rollout of our new elevated chicken in the prior quarter, the Company has recently begun in-market testing of an all-new superfood smoothie lineup that includes brand new flavours like Banana Nut Crunch and Spurilina as well as a reimagination of Freshii classics like Tropical Mango and Strawberrii-Banana. We intend to continue to innovate, test and rollout new menu items that customer data indicates are of interest to our guests in the coming periods. Additionally, the Company has rolled out a streamlined menu in a number of its locations, as further discussed below.

Digital and Delivery Acceleration

Following on from the completion in the prior quarter of the rollout of both UberEats and Doordash partnerships across 90% of serviceable locations across North America, the Company has now also completed the phase 1 launch of its new, frictionless mobile app. In the coming periods, the Company plans to introduce a new loyalty

program and white-label delivery functionality to the app, which we expect to further strengthen the online connection we have with our guests.

Develop Dinner as a Second Daypart

Freshii continues to see an increase in the dinner daypart as a percentage of sales as compared to pre-COVID-19 periods. In late October following a successful market test, Freshii has now completed a limited time only cross-Canada launch of the Company's new dinner plates platform, complete with family meal options and sides and available for dine in, takeout or delivery. We remain excited about dinner as a second daypart opportunity and intend to continue to invest in this area.

Franchisee Incremental Investment Program

As the Company announced last quarter, Freshii is funding an investment program to help accelerate the sales recovery of our restaurants. Through this fund, we will be supporting our restaurant network in the following areas:

- the launch and adoption of Freshii's new mobile app;
- incremental marketing and loyalty investments;
- the implementation 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 has begun to deploy these amounts, 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 with momentum.

Freshii CPG Extends Partnership with ONroute

In addition to continuing to work with its current retail partners, including Walmart Canada, Shell, Air Canada and others, following a successful 23-site summer 2020 launch, Freshii and ONroute intend to extend their partnership going forward. The Company remains committed to investing-in and growing its CPG business line.

Cost Base Management and Liquidity

We have maintained a strong stable cash position through the pandemic to date, with \$31.2 million (C\$41.8 million) on hand as at September 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 in our restaurant and CPG divisions.

The Company also continues to assist franchise partners in managing their restaurant level cost base. To that end, the Company has introduced to many of its franchise locations a limited, more streamlined, menu, that allows for improvement in food, labour and operational costs. Assisting our restaurants in managing 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.

Investor Conference Call

The Company will host an investor conference call and webcast at 8:30 a.m. Eastern Time on Thursday, November 12, 2020, to review financial results for the third quarter ended September 27, 2020.

Date:	Thursday November 12, 2020
Time:	8:30 a.m. Eastern Time
Dial-In #:	1-877-425-9470 U.S. & Canada 1-201-389-0878 International

Alternatively, the conference call will be webcast on the investor relations section of Freshii's corporate website at www.freshii.inc. For those unable to participate, an audio replay will be available from 11:30 a.m. Eastern Time on Thursday November 12, 2020 through Thursday November 19, 2020. To access the replay, please call 1-844-512-2921 (U.S. & Canada) or 1-412-317-6671 (International) and enter confirmation code 13712435. A web-based archive of the conference call will also be available at the above 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 grown to operate 420 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", 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 11, 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, the recovery of the Company's franchise system, that healthy eating trends will continue, the effectiveness of the Company's 2020 strategic pillars, the timelines for and effectiveness of new menu rollouts (including streamlined menus), 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 scale its new operating model, 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 and partnership with ONroute, 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, 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 2020 strategic pillars, the timelines for new menu rollouts, the rollout of the Company's new app and any future phases of the rollout, the Company's partnership with ONroute and investment in its CPG business line, the implementation of the Company's Franchisee Incremental Investment Program, 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, 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 November 11, 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 and 39 week periods ended September 27, 2020 and September 29, 2019, respectively:

(in thousands)	For the 13 weeks ended			
	September 27, 2020		September 29, 2019	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 3,324	93 %	\$ 5,178	88 %
Company-owned store revenue	233	7	679	12
Total revenue	3,557	100	5,857	100
Costs and expenses				
Cost of sales	249	7	599	10
Selling, general and administrative	2,930	82	3,561	62
Depreciation and amortization	693	19	1,243	21
Share based compensation expense	507	14	498	9
Total costs and expenses	4,379	122	5,901	102
Income before interest, foreign exchange & income taxes	(822)	(22)	(44)	(2)
Interest income, net	32	1	(33)	(1)
Foreign exchange loss (gain)	158	4	(71)	(1)
Income before income tax expense	(1,012)	(27)	60	-
Income tax expense	(820)	(23)	475	8
Net loss	(192)	(5)	(415)	(8)

Currency translation adjustment	642	18	(413)	(/)
Comprehensive income (loss)	\$ 450	13 %	\$ (828)	(14 %)

(in thousands)	For the 39 weeks ended			
	September 27, 2020		September 29, 2019	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
Revenue				
Franchise revenue	\$ 9,848	92 %	\$ 14,826	88 %
Company-owned store revenue	852	8	1,952	12
Total revenue	10,700	100	16,778	100
Costs and expenses				
Cost of sales	788	7	1,743	10
Selling, general and administrative	10,110	94	10,735	65
Depreciation and amortization	2,906	27	2,182	13
Share based compensation expense	1,636	15	1,157	7
Total costs and expenses	15,440	143	15,817	95
Income before interest, foreign exchange & income taxes	(4,740)	(43)	961	5
Interest income, net	(8)	-	(117)	(1)
Foreign exchange loss (gain)	(169)	(2)	155	1
Income before income tax expense	(4,563)	(41)	923	5
Income tax expense	(1,360)	(13)	802	5
Net loss	(3,203)	(30)	121	-
Currency translation adjustment	(869)	(8)	860	5
Comprehensive income (loss)	\$ (4,072)	(38 %)	\$ 981	6 %

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

(in thousands)	As at September 27, 2020	As at December 29, 2019
Cash	\$ 31,234	\$ 31,615
Total assets	49,258	53,046
Equity	31,324	33,921

The following table shows our cash flows information for the 39 week periods ended September 27, 2020 and September 29, 2019, respectively:

(in thousands)	For the 39 weeks ended	
	September 27, 2020	September 29, 2019
Net cash provided by operations	\$ 808	\$ 3,484
Net cash used in investing	(356)	(755)
Net cash used in financing	(246)	(368)
Net increase (decrease) in cash	\$ 206	\$ 2,361

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 39 weeks ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net loss	\$ (192)	\$ (415)	\$ (3,203)	\$ 121
Interest income, net	32	(33)	(8)	(117)
Income tax expense	(820)	475	(1,360)	802
Depreciation and amortization	693	1,243	2,906	2,182
EBITDA	(287)	1,270	(1,665)	2,988
Adjustments:				
Share-based compensation expense(1)	507	498	1,636	1,157
Foreign exchange (gain) loss	158	(71)	(169)	155
Other costs(2)	-	-	1,577	412
Adjusted EBITDA	378	1,697	1,379	4,712
Constant currency remeasurement	-	(4)	-	(34)
Adjusted EBITDA on a constant currency basis	\$ 378	\$ 1,693	\$ 1,379	\$ 4,678
Less capital expenditures	55	148	393	515
Free cash flow	\$ 323	\$ 1,549	\$ 986	\$ 4,197
Free cash flow conversion	85.4 %	91.3 %	71.5 %	89.1 %
Net loss	(192)	(415)	(3,203)	121
Adjustments:				
Share-based compensation expense(1)	507	498	1,636	1,157
Foreign exchange (gain) loss	158	(71)	(169)	155
Other costs(2)	-	-	1,577	412
Related tax effects(3)	(176)	(113)	(807)	(457)
Adjusted Net Income (Loss)	\$ 297	\$ (101)	\$ (966)	\$ 1,388

Notes:

(1) In the 39 week periods ended September 27, 2020 and September 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 39 week period ended September 27, 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 39 week period ended September 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 condensed consolidated interim financial statements for the 13 and 39 week periods ended September 27, 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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