



Aegis Brands Reports Second Quarter Results

MISSISSAUGA, ON, August 7, 2020 /CNW/ - The Second Cup Ltd. ("Aegis Brands" or the "Company") (TSX: SCU) today reported financial results for the second quarter ended June 27, 2020.

Highlights

- EBITDA loss was \$687,000 in the quarter compared with EBITDA of \$217,000 in the same quarter last year.
- Net loss was \$1,931,000 or \$0.08 per share compared to a net loss of \$782,000 or \$0.04 in 2019.
- Same store sales for the quarter were -52.6% compared with -8.6% in Q1 2020.
- Opened first cannabis retail store in Toronto, Ontario on July 10, 2020.

Second Quarter 2020

As provinces continue to reopen, steady increases in same store sales have been recorded; while same store sales showed a decline of 62% in April 2020 compared to the same month in 2019, the decline was only 43% in July and continues to trend in a positive direction. Average ticket also increased by approximately 17% this quarter, partially offsetting a 59% decline in comparable transactions.

System-wide sales in the quarter declined 68.3% from the prior year's quarter, mainly as a result of lost sales related to the COVID-19 pandemic, as modified operations, shortened café hours and reduced guest counts took hold. The operating results were heavily impacted by the lost revenue due to the COVID-19 outbreak, provision for deferred royalties and advertising fund contributions, and costs related to restructuring activities, partially offset by savings as a result of permanent and temporary lay-offs, reduction in remuneration, and benefits from the government's wage subsidy program.

Liquidity

The Company has confidence that it has the liquidity required to meet its short-term business needs. That said, it is actively pursuing options to obtain additional capital to pursue long-term opportunities, including, but not limited to, further growth in the cannabis sector, the ongoing development of non-traditional Second Cup locations and future acquisition opportunities.

COVID-19: Impact and Recovery

The impacts of the COVID-19 pandemic continue to be deeply felt across the Company's business. All 19 Bridgehead coffeehouses in Ottawa and 130 of the 244 Second Cup cafés across Canada closed in mid-March, and no royalty or advertising fund payments were collected from March 3, 2020 until June 23, 2020 when collections resumed.

As of July 27, 2020, 16 of 19 Bridgehead coffeehouses and 176 Second Cup cafés across the country have reopened. To continue to ensure the overall success of the system, the Company is currently undertaking a portfolio review, and anticipates closing underperforming stores in the coming months.

Since March, the Company has taken a number of actions to support its business and its franchisee network in the face of these unique business challenges, including:

- Reducing salaries for Coffee Central staff by 28%, and for the senior leadership team by up to 50%, and temporarily eliminating all compensation for the Company's Board of Directors.
- Eliminating Coffee Central positions where possible, through both temporary and permanent layoffs.
- Working closely with franchisees to help them understand, and take advantage of, any and all government programs available to them.
- Leading discussions with landlords to secure adjusted rents obligations that match the sales volumes from April forward.

Three Key Strategies to Increase Shareholder Value

Despite the serious impact the COVID-19 pandemic has had on the Company's day-to-day operations, significant advancements continue to be made against the three strategic business priorities established by Aegis CEO Steven Pelton in 2019. Specifically:

- Growth of Second Cup through non-traditional channels
- Retail cannabis opportunities
- Strategic acquisitions

Growth of Second Cup through non-traditional channels

A key pillar of growth for the Second Cup banner is the identification and development of new, “non-traditional” café locations, including sites such as hospitals, airports, train stations and other transportation venues.

Fourteen such locations are scheduled to open in the next 18 months across Canada. A number of these new cafés are being opened with multi-property landlords – many of which have locations across Canada – and the Company looks forward to the opportunity to deepen these relationships into 2021 and beyond.

In addition, Second Cup can today announce the launch of a pilot program with Suncor Energy, through their Petro-Canada brand. Second Cup drive-thrus will open at three Petro-Canada locations in Ontario this year. The Company looks forward to the opportunity to deepen this relationship into 2021.

Under Pelton’s leadership, Second Cup coffee will also be made available for sale at grocery and other retail banners, a channel that has seen dramatic growth during the COVID-19 pandemic.

“With an increasing number of Canadians working from home, we know that the daily coffee experience is changing,” explains Pelton. “People want to be able to have a premium Second Cup coffee experience in their own kitchens, and we are going to make that easier for them, with the return of Second Cup coffee products to retail banners across Canada.”

A robust retail distribution network will supplement Second Cup’s owned e-commerce platform, which launched in April 2020.

Retail cannabis opportunities

On July 10, 2020, the Company opened the first location of its wholly-owned subsidiary's retail cannabis brand: Hemisphere Cannabis Co.

Both sales and gross margins are already trending ahead of projections, and six additional Hemisphere locations are preparing to open across Ontario.

The Company is also in the early stages of securing a cannabis partner to co-produce a branded line of cannabis products, which will be made available for sale in all Hemisphere locations. In addition, and subject to cannabis marketing regulations, the company will also look to produce THC and CBD beverages featuring Second Cup flavours and branding.

"Our goal, pending future deregulation of CBD, is to make Second Cup the first national coffee chain to sell CBD beverages in our cafés," said Pelton. CBD is a non-psychoactive ingredient.

Strategic acquisitions

The Company completed the acquisition of Bridgehead Coffee in January 2020. While Bridgehead's physical locations, like Second Cup's, have seen declines in traffic and sales due to the COVID-19 pandemic, e-commerce sales for Bridgehead have increased 10x over pre-COVID levels.

In addition, Bridgehead continues to expand its own retail footprint. Bridgehead products are now available for sale at Farm Boy and Whole Foods.

About The Second Cup Ltd.

Founded in 1975, The Second Cup Ltd. is a Canadian specialty coffee retailer operating franchised and company-owned cafés across Canada. In November 2019, the Company announced its intention to implement a new operating structure in support of its new strategy. Subject to TSX and shareholder approval, the existing public company will change its name to Aegis Brands Inc., which will own and operate the existing Second Cup Coffee Co. specialty coffee business as part of a portfolio of brands that also includes Bridgehead and Hemisphere Cannabis Co. For more information, please visit www.secondcup.com or find the Company on Facebook and Twitter.

SOURCE The Second Cup Ltd.

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CONSOLIDATED HIGHLIGHTS

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the Unaudited Condensed Interim Financial Statements of the Company for the 13 weeks ended June 27, 2020 and June 29, 2019.

(In thousands of Canadian dollars, except same café sales, number of cafés, per share amounts, and number of common shares.)	13 weeks ended		26 weeks ended	
	June 27, 2020 ²	June 29, 2019 ³	June 27, 2020 ²	June 29, 2019 ³
System sales of cafés ¹	\$10,910	\$34,377	\$41,798	\$68,689
Same café sales ^{1,4}	(52.6%)	0.0%	(25.8%)	(0.4%)
Number of cafés & stores - end of period	256	252	256	252
Total revenue	\$3,536	\$6,507	\$12,329	\$12,781
Operating costs and expenses	\$5,776	\$7,145	\$17,764	\$13,908
Operating loss ¹	(\$2,240)	(\$638)	(\$5,435)	(\$1,127)
EBITDA ¹	(\$687)	\$217	(\$2,945)	\$567
Adjusted EBITDA ¹	(\$687)	\$617	(\$2,158)	\$966
Net loss and comprehensive loss	(\$1,931)	(\$782)	(\$4,825)	(\$140)
Adjusted net loss and comprehensive loss ¹	(\$1,931)	(\$300)	(\$3,919)	(\$703)
Basic and diluted loss per share as reported	(\$0.08)	(\$0.04)	(\$0.21)	(\$0.01)
Adjusted basic and diluted loss per share ¹	(\$0.08)	(\$0.02)	(\$0.17)	(\$0.04)
Total assets - end of period	\$119,918	\$121,714	\$119,918	\$121,714
Number of weighted average common shares issued and outstanding	22,916,028	19,879,718	22,763,656	19,890,330

¹ See the section "Definitions and Discussion on Certain non-IFRS Financial Measures" for further analysis.

² Financial results in fiscal 2020 reflect the adoption of IFRS 16 specific to the Bridgehead brand, as a result of its acquisition by the Company on January 9, 2020. See the section "Changes in Accounting Policies" for further analysis.

³ The Company's comparative, prior year results reflect the consolidated financial results of its Second Cup brand.

⁴ Same café & store sales represent the percentage change, on average, in sales at cafés & stores operating system-wide that have been open for more than 12 months.

Acquisition of Bridgehead

On December 5, 2019, the Company announced the acquisition of Ottawa-based Bridgehead Coffee ("Bridgehead"), the Company's first acquisition since it announced its new operating structure and strategy in November. This acquisition closed on January 9, 2020. Bridgehead has 19 coffeehouses in Ottawa, Ontario, including its flagship roastery, all of which continue to operate under the Bridgehead brand.

The base purchase price consisted of cash consideration of \$6.0 million, stock consideration of \$3.3 million, which represents the fair value of the stock as at the valuation date of January 8, 2020, and additional earn out payments of up to \$1.5 million based on the profitability of Bridgehead's existing coffeehouses over the next two years.

Second Quarter – The Second Cup Ltd

System sales of cafés

System sales of cafés for the 13 weeks ended June 27, 2020 were \$10,910 compared to \$34,377 for the 13 weeks ended June 29, 2019 representing a decrease of \$23,467 or 68%. The decrease in system sales of cafés is primarily due to the temporary closures of franchised and corporately owned cafés and scaled down nature of operations of open cafés (i.e. closure of dining room space; operations limited to take out, delivery, and drive-thru) as a direct impact of the COVID-19 pandemic.

Same café sales

During the Quarter, same café sales decreased by 52.6%, compared to 0% in the same Quarter of 2019. The decline in same café sales is driven by the economic consequences of COVID-19, including the significantly scaled down operations of open cafés to take out, delivery and drive thru.

Analysis of revenue

Total revenue for the Quarter was \$3,536 (2019 - \$6,507), a decrease of \$2,971, consisting of Company-owned café and product sales inclusive of the Second Cup and Bridgehead operating brands in fiscal 2020, royalty revenue, advertising fund contributions, fees and other revenue.

Company-owned cafés and product sales for the Quarter were \$2,360 (2019 - \$2,746), a decrease of \$386. Revenues and business performance from company owned cafés were significantly impacted by the economic consequences of COVID-19.

Franchise revenue was \$1,176 for the Quarter (2019 - \$3,761), a decrease of \$2,585. As per preceding discussions, franchise revenues were impacted by the temporary closures of cafés and scaled down nature of operations of open cafés as a direct impact of the ongoing COVID-19 pandemic.

Operating costs and expenses

Operating costs and expenses include the costs of Company-owned cafés and product sales, franchise-related expenses, general and administrative expenses, loss on disposal of assets, and depreciation and amortization. The Canada Emergency Wage Subsidy provided by the government helped to reduce remuneration expenses in the quarter. In addition, the Company's operating expenses decreased in the quarter as a result of a reduced number of operating cafés and a decrease in salaries for Coffee Central staff and elimination of certain Coffee Central positions through temporary and permanent lay-offs, as well as suspension of compensation for the Board of Directors.

Total operating costs and expenses for the Quarter were \$5,776 (2019 - \$7,145), a decrease of \$1,369.

Company-owned cafés and product related expenses for the Quarter were \$2,191 (2019 - \$2,601), a decrease of \$410. The change is due to a reduced number of operating cafes through the quarter as well as the decline in sales as a result of scaled down operations due to the COVID-19 pandemic.

Franchise related expenses for the Quarter were \$793 in the Quarter (2019 - \$1,879), a decrease of \$1,086. Consistent with the decrease in franchise revenue, the associated franchise expenses decreased through the quarter as a result of a reduced number of operating stores, scaled down operations for open cafes and the wage subsidy. This was partially offset against \$590 of bad debt expenses recorded as a result of the Company's decision to defer the collection of accrued royalties and cooperative advertising fund contributions from its franchisees through the quarter up to May 16, 2020.

General and administrative expenses were \$1,247 for the Quarter (2019 - \$1,790), a decrease of \$543, which includes the impact of the wage subsidy and a reduction in compensation in light of COVID-19.

Depreciation and amortization expense were \$1,553 (2019 - \$855), an increase of \$698. Total amortization of right-of-use assets was \$1,097 in the Quarter under IFRS 16, and \$456 relates to the amortization on fixed and intangible assets.

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EBITDA

EBITDA for the Quarter was a loss \$687 (2019 – \$217 income), a decrease of \$904, driven primarily by a loss of revenue due to the temporary closures of cafés and scaled down operations of open cafés and higher bad debts expense, offset by a reduction in compensation and the wage subsidy.

Interest and Financing Costs

The Company reported net interest and financing costs of \$396, as compared to \$169 in the same Quarter last year, primarily driven by non-cash net interest recorded on the Company's lease obligations and lease receivables, recorded in accordance with IFRS 16. The net interest is higher due to the inclusion of company-owned Bridgehead coffeehouses.

Net loss

The Company reported a net loss for the Quarter of \$1,931 or \$0.08 per share, as compared to net loss in the same Quarter last year of \$782 or \$0.04 per share.

Reconciliations of net income (loss) to EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

Year-to-date – The Second Cup Ltd

System sales of cafés

System sales of cafés for fiscal 2020 were \$41,798 compared to \$68,689 last year representing a decrease of \$26,891 or 39%. The decrease in system sales of cafés is primarily due to the temporary closures of franchised and corporately owned cafés and scaled down nature of operations of open cafés (i.e. closure of dining room space; operations limited to take out, delivery, and drive-thru) as a direct impact of the COVID-19 pandemic.

Same café sales

During the year, same café sales decreased by 25.8%, compared to a decline of 0.4% last year. The decline in same café sales is driven by the economic consequences of COVID-19, including the significantly scaled down operations of open cafés to take out, delivery and drive thru.

Analysis of revenue

Total revenue to date was \$12,329 (2019 - \$12,781), a decrease of \$452, consisting of Company-owned café and product sales inclusive of the Second Cup and Bridgehead operating brands in fiscal 2020, royalty revenue, advertising fund contributions, fees and other revenue.

Company-owned cafés and product sales to date were \$8,121 (2019 - \$5,208), an increase of \$2,913. The increase is due to a higher corporate owned location count of 53 this year with the inclusion of the Bridgehead brand in fiscal 2020, as compared to 28 last year in the same quarter. Revenues, operating results and business performance from company owned cafés were significantly impacted by the economic consequences of COVID-19.

Franchise revenue was \$4,208 to date (2019 - \$7,573), a decrease of \$3,365. As per preceding discussions, franchise revenues were impacted by the temporary closures of cafés and scaled down nature of operations of open cafés as a direct impact of the ongoing COVID-19 pandemic.

Operating costs and expenses

Operating costs and expenses include the costs of Company-owned cafés and product sales, franchise-related expenses, general and administrative expenses, loss on disposal of assets, and depreciation and amortization. The Company's operating expenses are partially offset by the Canada Emergency Wage Subsidy, the reduction of salaries for Coffee Central staff and the Senior Leadership team, the temporary suspension of all compensation for the Board of Directors, and the elimination of certain Coffee Central positions through temporary and permanent lay-offs.

Total operating costs and expenses to date were \$17,764 (2019 - \$13,908), an increase of \$3,856.

Company-owned cafés and product related expenses to date was \$7,473 (2019 - \$5,105), an increase of \$2,368. The change is mainly due to the inclusion of company operated Bridgehead cafes, as well as some expenses incurred in the quarter to support the launch of the Company's Hemisphere division.

Franchise related expenses to date was \$4,284 to date (2019 - \$3,930), an increase of \$354. The increase in franchise related expenses is primarily driven by \$1,200 of bad debt expense recorded as a result of the deferral of the collection of accrued royalties and cooperative advertising fund contributions from franchisees through the quarter up to May 16, 2020. The above was partially offset against reduced expenses as a result of closures of franchised stores and the wage subsidy and payroll adjustments at Coffee Central.

General and administrative expenses are \$2,815 (2019 - \$3,158), a decrease of \$343, which includes the impact of the wage subsidy and compensation adjustments.

Depreciation and amortization expense were \$2,490 (2019 - \$1,694), an increase of \$796. Total amortization of right-of-use assets was \$1,581 to date under IFRS 16, and \$909 relates to the amortization on fixed and intangible assets.

Impairment indicators were identified as a result of the economic impacts of the COVID-19 pandemic, which has resulted in the temporary closures of cafés, and scaled down nature of operations of open cafés. Impairment testing was performed over its fixed and right-of-use assets recorded in accordance with IFRS 16, as well as on the Company's intangible assets. The Company has recorded non-cash asset impairment charges of \$787 on a year to date basis to its right-of-use assets.

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EBITDA

EBITDA to date was a loss \$2,945 (2019 – \$567 income), a decrease of \$3,512, driven primarily by the loss of revenue due to the temporary closures of cafés and scaled down operations of open cafés, bad debts expense as a result of the deferral of accrued royalties and cooperative advertising contributions for twelve weeks ended May 16, the recording of non-cash expected credit losses in accordance with IFRS 9, the recognition of non-cash asset impairment charges, offset by the wage subsidy and reduction in compensation.

Adjusted for asset impairment charges, year to date EBITDA was a loss of \$2,158.

Other loss

Other loss to date was \$450, composed of a decrease in the fair value of NAC warrants based on the Black-Scholes pricing model.

Interest and Financing Costs

The Company reported net interest and financing costs of \$700, as compared to \$231 to date last year, primarily driven by non-cash net interest recorded on the Company's lease obligations and lease receivables, recorded in accordance with IFRS 16.

Net income (loss)

The Company reported a net loss of \$4,825 or \$0.21 per share to date, as compared to net loss last year of \$140 or \$0.01 per share.

Adjusted for impairment and loss on NAC warrants, net loss to date was \$3,919 or \$0.17 per share, as compared to adjusted net loss last year of \$703 or \$0.04.

Reconciliations of net income (loss) to EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

DEFINITIONS AND DISCUSSION ON CERTAIN NON-GAAP FINANCIAL MEASURES

In this MD&A, the Company reports certain non-GAAP financial measures such as system sales of cafés, same café sales, operating income (loss), EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share. Non-GAAP measures are not defined under IFRS and are not necessarily comparable to similarly titled measures reported by other issuers.

System sales of cafés

System sales of cafés comprise the net revenue reported to Second Cup by franchisees of Second Cup cafés and by Company-owned cafés. This measure is useful in assessing the operating performance of the entire Company network, such as capturing the net change of the overall café network.

Changes in system sales of cafés result from the number of cafés and same café sales (as described below). The primary factors influencing the number of cafés within the network include the availability of quality locations and the availability of qualified franchisees.

Same café sales

Same café sales represent the percentage change, on average, in sales at cafés operating system-wide that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance as an indicator of appeal to customers. Two principal factors that affect same café sales are changes in customer count and changes in average transaction size.

Operating income (loss)

Operating income (loss) represents revenue, less cost of goods sold, less operating expenses, and less impairment charges. This measure is not defined under IFRS, although the measure is derived from input figures in accordance with IFRS. Management views this as an indicator of financial performance that excludes costs pertaining to interest and financing, and income taxes.

EBITDA and adjusted EBITDA

EBITDA represents earnings before interest and financing, income taxes, and depreciation and amortization. Adjustments to EBITDA are for items that are not necessarily reflective of the Company's underlying operating performance. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and evaluate liquidity. Management interprets trends in EBITDA as an indicator of relative financial performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS.

Adjusted net income (loss) and adjusted net income (loss) per share

Adjustments to net earnings (loss) and net earnings (loss) per share are for items that are not necessarily reflective of the Company's underlying operating performance. These measures are not defined under IFRS, although the measures are derived from input figures in accordance with IFRS. Management views these as indicators of financial performance.

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Reconciliations of net income (loss) to operating income (loss) and EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided below:

	13 weeks ended		26 weeks ended	
	June 27, 2020 ¹	June 29, 2019	June 27, 2020 ¹	June 29, 2019
Net loss	\$ (1,931)	\$ (782)	\$ (4,825)	\$ (140)
Add (deduct):				
Income tax recovery	(705)	(284)	(1,760)	(51)
Interest and financing loss	396	169	700	231
Other loss (income)	-	259	450	(1,167)
Operating loss	<u>\$ (2,240)</u>	<u>\$ (638)</u>	<u>\$ (5,435)</u>	<u>\$ (1,127)</u>

	13 weeks ended		26 weeks ended	
	June 27, 2020 ¹	June 29, 2019	June 27, 2020 ¹	June 29, 2019
Net loss	\$ (1,931)	\$ (782)	\$ (4,825)	\$ (140)
Add (deduct):				
Income tax recovery	(705)	(284)	(1,760)	(51)
Interest and financing loss	396	169	450	231
Other loss (income)	-	259	700	(1,167)
Depreciation of property and equipment	382	187	734	345
Amortization of intangible Assets	75	121	175	256
Amortization of right-of-use assets	1,096	548	1,581	1,093
EBITDA	<u>\$ (687)</u>	<u>\$ 218</u>	<u>\$ (2,945)</u>	<u>\$ 567</u>
Add impact of the following:				
Asset impairment Charges	-	-	787	-
Other charges	-	399	-	399
Adjusted EBITDA	<u>\$ (687)</u>	<u>\$ 617</u>	<u>\$ (2,158)</u>	<u>\$ 966</u>

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	13 weeks ended		26 weeks ended	
	June 27, 2020 ¹	June 29, 2019	June 27, 2020 ¹	June 29, 2019
Net loss	\$ (1,931)	\$ (782)	\$ (4,825)	\$ (140)
Add (deduct) impact of the following:				
After-tax other (income) loss	-	190	329	(855)
After-tax asset impairment	-	-	577	
After-tax transition costs	-	292	-	292
Adjusted net loss	\$ (1,931)	\$ (300)	\$ (3,919)	\$ (703)

	13 weeks ended		26 weeks ended	
	June 27, 2020 ¹	June 29, 2019	June 27, 2020 ¹	June 29, 2019
Net loss per share	\$ (0.08)	\$ (0.04)	\$ (0.21)	\$ (0.01)
Add (deduct) impact of the following:				
After-tax other (income) loss per share	-	0.01	0.01	(0.04)
After tax asset impairment	-	-	0.03	-
After-tax transition costs per share	-	0.01	-	0.01
Adjusted net income (loss) per share	\$ (0.08)	\$ (0.02)	\$ (0.17)	\$ (0.04)

¹ The Company's interim results in fiscal 2020 reflect the consolidated financial statements of its operating brands including Second Cup, Bridgehead, and Hemisphere. The Company's comparative, prior year results reflect the consolidated financial results of its Second Cup brand.

FORWARD LOOKING STATEMENTS

This press release may contain forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe”, and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Forward-looking statements include the Company’s expectations with respect to the execution of the Company’s strategy, the change of the Company’s name, the anticipated timing of the Company’s annual shareholder meeting, the number of Second Cup cafes offering modified or suspended services and the fluctuation of this number over time, the conversion of certain Second Cup cafés to retail cannabis stores and the expansion into the retail cannabis market, the imposition (or relaxation) of government restrictions and other factors (including the duration and terms of such restrictions), the extent of the expected impact of the COVID-19 pandemic and associated government regulation, expected consumer and commercial behavior and other related matters on the Company’s business, operations and financial performance, and the timing of any further updates. Statements regarding such forward-looking information reflect management’s current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on management’s estimates and assumptions that are subject to inherent risks and uncertainties, some of which are beyond the Company’s control, which could cause the Company’s actual performance and financial results in future periods to differ materially from the forward-looking information contained in this press release. The dynamic nature of the COVID-19 pandemic and the events and circumstances resulting from or associated with the pandemic mean that management can offer no assurance that forward-looking information or forward-looking statements will occur or be accurate in the circumstances. This is further discussed under the heading “Risk Factors” in the Company’s annual information form available at www.sedar.com.

Management’s estimates and assumptions include: the ability to manage the risks (economic, operational, financial, and other risks) associated with the COVID-19 pandemic, the ability to receive required shareholder and stock exchange approvals, the ability to continue integration activities relating to its acquisition, and the ability to expand into the retail cannabis market. Risks and uncertainties include: the ability to achieve anticipated benefits of the corporate reorganization; receipt of shareholder and stock exchange approvals; risks relating to the integration of acquisitions; risks relating to the new holding company structure following the reorganization; the risks associated with the COVID-19 pandemic; the risks associated with the expansion into the retail cannabis market. Although the forward-looking information contained in this press release is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements.

The risks associated with the COVID-19 pandemic include: the ultimate extent, duration and severity of the pandemic itself and the associated government restrictions; effects on consumer and commercial behavior and other factors associated with or resulting from such pandemic, including that the outbreak of the COVID-19 pandemic could result in additional cafes temporarily suspending operations, decrease the willingness of guests to patronize the Company’s cafes, shortages of employees to staff the Company’s cafes, interruption of supplies from third parties upon which the Company relies, governmental regulations adversely impacting the Company’s business; the availability of the CECRA program; landlord willingness to consider franchisees’ requests for deferrals of rent or loan repayments and/or the Company’s requests to amend or terminate certain café leases; that franchisees may request that the Company take certain steps to support its franchisees (whether financially or otherwise); and that the pandemic and the consumer, governmental and commercial response to it could materially impact economic activity in general and otherwise have a material adverse effect on the Company’s business, financial condition and results of operations. Such adverse effects could be rapid and unexpected.

All forward-looking information in this press release is qualified by these cautionary statements. Forward-looking information in this press release is presented only as of the date made. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.