



Aegis Brands Reports Third Quarter Results

MISSISSAUGA, ON, November 10, 2020 /CNW/ - Aegis Brands Inc., formerly The Second Cup Ltd., ("Aegis" or "Aegis Brands" or the "Company") (TSX: AEG) today reported financial results for the third quarter ended September 26, 2020

Highlights

- EBITDA for the quarter was \$731,000 compared with \$179,000 in the same quarter last year and \$687,000 EBITDA loss in Q2 2020.
- Net loss for the quarter was \$751,000 or \$0.03 per share compared with \$933,000 or \$0.04 in the same quarter last year and \$1,931,000 or \$0.08 in Q2 2020.
- Second Cup's same store sales for the quarter were -41.5% compared with -52.2% in Q2 2020.
- Bridgehead's same store sales for the quarter were -44.0% compared with -57.7% in Q2 2020.
- Hemisphere Cannabis Co. producing store level profitability with five stores still waiting to open.

Third Quarter 2020

Consolidated Q3 EBITDA exceeded the same quarter last year and the previous quarter by \$552,000 and \$1,418,000 respectively. Despite the dramatic loss in sales due to the pandemic and costs related to restructuring activities, the company was able to show improvement due to the reduced overhead costs and the addition of Hemisphere and Bridgehead to the Aegis family of companies. Aegis system-wide sales in the quarter declined 43.0% from the prior year's quarter, mainly as a result of lost sales and store closures related to the COVID-19 pandemic, partially offset by the addition of the Bridgehead and Hemisphere brands.

"We continued to see an increase in guests returning to cafés in both coffee brands in the third quarter before the second wave of the pandemic took hold. Our franchisees, corporate store managers and thousands of baristas across the country adapted to the new way of life and have taken exceptional measures to ensure our guests and staff felt safe and welcomed back into our stores. Their efforts have provided steady improvement in same store sales and store economics in the third quarter," said Steven Pelton, President and CEO of Aegis Brands.

Second Cup

The ongoing impacts of the COVID-19 pandemic continue to be deeply felt across the Second Cup's business. As the second wave continues, 180 Second Cup cafés across the country remain open or have re-opened. The impact has been more pronounced regionally in COVID-19 hotspots, with locations in Ontario and Quebec experiencing a sharper decline in same store sales when compared to other parts of the country, such as Western Canada where sales remain more stable at the -20% range and the East Coast in the negative single digits.

Same store sales were rebounding prior to the onset of the second wave of the COVID-19 pandemic. As Ontario returned to Phase 1 in September, same store sales saw an improvement at -36.3%, compared to -57.9% earlier in the pandemic, with several weeks of steady recovery. The second wave has had a noticeable impact in the recent sales trend, but latest average ticket price and same store sales data indicate that the rebound has already begun.

At the onset of the pandemic, Second Cup took action to directly support its business and franchisee network in the face of unprecedented business challenges. This included: hiring an outside firm to help with landlord negotiations, deferring royalties and advertising fund contributions between February and June, working with vendors for more favourable terms for the franchisees, providing

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training to take advantage of government support and financial relief programs, and providing training and support to ensure the safety of all guests and employees during the crisis.

Second Cup previously announced the development of new, "non-traditional" café locations and has since secured 17 locations to be opened in the remainder of 2020 and 2021. Included in the 2020 openings are pilot stores with Suncor Energy through their Petro-Canada brand. Second Cup has opened a drive-thru location in Keswick, Ontario with two more to be opened before the end of the year. Second Cup looks forward to the opportunity to build on this relationship in 2021 and beyond.

A growing retail distribution network will supplement Second Cup's owned e-commerce platform, which has just launched seasonal holiday products as of November 2, 2020. Second Cup coffee has recently been made available for sale at various retail banners operated by TJX Companies Inc. such as Home Sense, Winners and Marshalls. The Company expects to continue to expand into grocery channels throughout 2021.

Bridgehead

While the impact of the pandemic continues to be a challenge for the Bridgehead stores in the downtown core of Ottawa, the urban stores have rebounded nicely. Same store sales for the third quarter was -44.0% while the urban stores were approximately 10% better on average. The strength of the brand in Ottawa continues to drive significant increases in e-commerce and wholesale volume. These two channels have become significant contributors as the brand finds new ways to get coffee into the hands of consumers. E-commerce sales should exceed \$700,000 in fiscal 2020 compared to approximately \$150,000 in 2019, while wholesale into retailers such as Costco, Farm Boy and others have increased, especially in the Ottawa region. Bridgehead expects the wholesale channel to be three times the volume in 2021 versus 2019.

"Considering the majority of the e-commerce sales are just in the Ottawa area where Bridgehead is based, these numbers are quite remarkable. It is also exciting to think about what the brand can achieve as we start to expand into other parts of Canada," said Pelton.

Bridgehead currently has 15 of 19 coffeehouses open with plans to reopen the downtown Ottawa stores as the area recovers from the impacts of the COVID-19 pandemic. Later this month it will open its first kiosk inside a Farm Boy location at the trainyards in Ottawa with plans to open another more traditional location in Carleton University in the Fall of 2021. The pandemic has delayed the plans to expand into Toronto this year, however the brand is looking for opportunities to resume its growth outside of Ottawa beginning in late 2021 or early 2022.

Hemisphere Cannabis Co.

On September 10, 2020, the Company opened the second location of its retail cannabis stores. The first two of the Hemisphere locations are generating positive store level profitability and the brand is optimistic about the other five locations ready to be opened. The next location is at the corner of King and Bathurst in the heart of "King West" Toronto, scheduled to open in the coming weeks, with a location in Ottawa to follow shortly thereafter. The company is continuing to build its pipeline of new stores in Ontario and has secured its first franchise agreement for a store to be opened in Alberta. The Company expects Hemisphere to grow quickly and to be a major contributor to the earnings of Aegis over the next few years.

"Hemisphere is quickly growing a loyal base of discerning cannabis users. Our focus on the guest experience in the store and their experience with the product once they leave, is of paramount importance to us. This attention to our guests' needs and expectations is what sets us apart," said Jenn Juby, VP of Retail at Hemisphere Cannabis Co.

Hemisphere is also collaborating with a cannabis partner to co-produce a branded line of cannabis products, which will be made available for sale in all Hemisphere locations.

Liquidity

The Company continues to have confidence that it has the liquidity required to meet its short-term business needs. In addition, the Company is still actively pursuing options to obtain additional capital to pursue long-term opportunities, including, but not limited to, further growth in the cannabis sector and future acquisition opportunities.

“It is no revelation to say this pandemic has forced a change in our way of life. What has been inspiring though, is the resilience of our companies, our franchisees and our employees. Their ability to overcome the changes and challenges in order to safely provide exceptional coffee and cannabis experiences is truly incredible. I am increasingly proud to work with all of the great people affiliated with Second Cup, Bridgehead and Hemisphere Cannabis Co. and I am excited to execute our plans as we emerge from the pandemic,” said Pelton.

About Aegis Brands Inc.

Founded in 1975, Aegis Brands Inc., formerly The Second Cup Ltd., is a consolidator of brands in the food, beverage and cannabis spaces with the mission to allow for independent entrepreneurial spirit while providing shared services that encourage unlimited growth. In November 2019, the Company announced its intention to implement a new operating structure in support of its new strategy. The Company now owns and operates 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.aegisbrands.ca or find the Company on Facebook and Twitter.

SOURCE Aegis Brands Inc.

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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 September 26, 2020 and September 28, 2019.

(In thousands of Canadian dollars, except same café and store sales, number of cafés and stores, per share amounts, and number of common shares.)	13 weeks ended		39 weeks ended	
	September 26, 2020 ²	September 28, 2019 ³	September 26, 2020 ²	September 28, 2019 ³
System sales of cafés and stores ¹	\$18,758	\$32,936	\$60,556	\$101,625
Same café and stores sales ^{1,4}	(41.8%)	(2.9%)	(31.5%)	(1.3%)
Number of cafés & stores - end of period	252	246	252	246
Total revenue	\$6,245	\$6,652	\$18,574	\$19,433
Operating costs and expenses	\$6,908	\$7,378	\$24,674	\$21,286
Operating loss ¹	(\$663)	(\$726)	(\$6,100)	(\$1,853)
EBITDA ¹	\$731	\$179	(\$2,216)	\$746
Adjusted EBITDA ¹	\$731	\$785	(\$1,429)	\$1,751
Net loss and comprehensive loss	(\$751)	(\$933)	(\$5,579)	(\$1,073)
Adjusted net loss and comprehensive loss ¹	(\$751)	(\$233)	(\$4,673)	(\$936)
Basic and diluted loss per share as reported	(\$0.03)	(\$0.04)	(\$0.24)	(\$0.05)
Adjusted basic and diluted loss per share ¹	(\$0.03)	(\$0.01)	(\$0.20)	(\$0.04)
Total assets - end of period	\$115,772	\$117,265	\$115,772	\$117,265
Number of weighted average common shares issued and outstanding	22,916,028	20,366,649	22,814,446	20,049,103

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.

Third Quarter – Aegis Brands Inc.

System sales of cafés and stores

System sales of cafés and stores for the 13 weeks ended September 26, 2020 were \$18,758 compared to \$32,936 for the 13 weeks ended September 28, 2019 representing a decrease of \$14,178 or 43%. The year-over-year change is driven by the ongoing impacts of the COVID-19 pandemic, including temporary closures and restrictions on store operations (i.e. closure of dining room space and operations limited to take-out, delivery and drive-thru).

Same café and store sales

During the Quarter, same café and store sales decreased 41.8%, compared to 2.9% in the same quarter of 2019, largely driven by the economic consequences of the COVID-19 pandemic.

Analysis of revenue

Total revenue for the Quarter was \$6,245 (2019 - \$6,652), consisting of Company-owned stores and product sales inclusive of the Second Cup, Bridgehead and Hemisphere operating brands, royalty revenue, advertising fund contributions, fees, and other revenue.

Company-owned stores and product sales for the Quarter were \$4,435 (2019 - \$2,794), an increase of \$1,641. Sales at Company-owned cafés continued to be negatively impacted by the COVID-19 pandemic. In comparison to the prior year, sales at Company-owned locations are higher due to the inclusion of the Bridgehead sales as well sales at the two newly-opened Hemisphere stores in the Quarter.

Franchise revenue was \$1,810 for the Quarter (2019 - \$3,858), a decrease of \$2,048. The franchise business segment continues to be impacted by the temporary closures of cafés and scaled down nature of operations under the current business environment.

Operating costs and expenses

Operating costs and expenses include the costs of Company-owned stores 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 has reduced remuneration expenses in the quarter. In addition, the Company's operating expenses decreased due to 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 the suspension of compensation for the Board of Directors.

Total operating costs and expenses for the Quarter were \$6,908 (2019 - \$7,378), a decrease of \$470.

Company-owned stores and product related expenses for the Quarter were \$3,296 (2019 - \$2,715), an increase of \$581. Expenses are higher due to the addition of the Bridgehead and Hemisphere locations this year, offset by the decline in costs at Second Cup corporate cafés due to lower sales.

Franchise related expenses for the Quarter were \$852 in the Quarter (2019 - \$2,013), a decrease of \$1,161. Consistent with the decrease in franchise revenue, expenses associated with the franchise business decreased due to the reduced number of operating cafés through the Quarter, lower labor costs as a result of the wage subsidy, and a decrease in advertising fund expenses versus prior year, offset by an additional provision for expected credit loss on leases receivable.

General and administrative expenses were \$1,338 for the Quarter (2019 - \$1,757), a decrease of \$419, driven by reduced labour costs as a result of the wage subsidy, compensation reduction and reduced staff count at Coffee Central.

Depreciation and amortization expense were \$1,394 (2019 - \$905), an increase of \$489. Total amortization of right-of-use assets was \$893 and the amortization on fixed and intangible assets came to \$501.

EBITDA

EBITDA for the Quarter was \$731 (2019 – \$179), an increase of \$552, as a result of lower operating costs due to the wage subsidy and the elimination of Coffee Central positions where possible, through both temporary and permanent layoffs. Business activities in the third quarter benefited, in comparison to the second fiscal quarter in 2020, from the gradual relaxation of COVID-19 restrictions.

Interest and Financing Costs

The Company reported net interest and financing costs of \$362, as compared to \$197 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 and Hemisphere retail cannabis dispensaries.

Net loss

The Company reported a net loss for the quarter of \$751 or \$0.03 per share, as compared to net loss in the same Quarter last year of \$933 or \$0.04 per share.

Adjusted net loss was \$751 or \$0.03 per share, as compared to adjusted net loss of \$233 or \$0.01 in the same Quarter last year.

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 – Aegis Brands Inc.

System sales of cafés and stores

System sales of cafés and stores for fiscal 2020 were \$60,556 compared to \$101,625 last year representing a decrease of \$41,069 or 40%. The year-over-year change is driven by the ongoing economic impacts of the COVID-19 pandemic, including the temporary closures of franchised and corporately owned cafés and restrictions on store operations (i.e. closure of dining room space and operations limited to take out, delivery, and drive-thru).

Same café and store sales

During the year, same café and store sales decreased 31.5%, compared to 1.3% last year, largely driven by the economic consequences of the COVID-19 pandemic.

Analysis of revenue

Total revenue to date was \$18,574 (2019 - \$19,433), consisting of Company-owned stores and product sales inclusive of the Second Cup, Bridgehead and Hemisphere operating brands, royalty revenue, advertising fund contributions, other fees and revenue.

Company-owned stores and product sales to date were \$12,556 (2019 - \$8,002), an increase of \$4,554. Sales at Company-owned stores were negatively impacted by the ongoing COVID-19 pandemic. However, sales are higher in comparison to the prior year due to the inclusion of the Bridgehead and Hemisphere stores, partially offset by the decline in sales at Second Cup corporate cafés.

Franchise revenue was \$6,018 to date (2019 - \$11,431), a decrease of \$5,413, as a result of the temporary closures of cafés and restrictions on store operations.

Operating costs and expenses

Operating costs and expenses include the costs of Company-owned stores 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 short term reduction of salaries for Coffee Central staff and the Senior Leadership team, the 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 \$24,674 (2019 - \$21,286), an increase of \$3,388.

Year to date, expenses related to company-owned stores were \$10,769 (2019 - \$7,820), an increase of \$2,949 due to the addition of the Bridgehead and Hemisphere locations in fiscal 2020, partially offset by lower operating costs at Second Cup corporate cafés.

Franchise related expenses to date were \$5,136 to date (2019 - \$5,942), a decrease of \$806. The year-over-year change is due to the reduced number of operating cafés and lower operating costs this year. This was partially offset against: (1) \$1,200 of bad debts provision recorded as a result of the deferral of the collection of accrued royalties and cooperative advertising fund contributions from franchisees for twelve weeks starting February 23 to May 16, and (2) \$944 of additional expected credit loss on leases receivable, a non-cash adjustment which considers forward-looking factors in accordance with IFRS 9.

General and administrative expenses are \$4,155 (2019 - \$4,916), a decrease of \$761, which includes the benefit of the wage subsidy, compensation reduction and reduced staff count at Coffee Central.

Depreciation and amortization expense were \$3,884 (2019 - \$2,599), an increase of \$1,285. Total amortization of right-of-use assets was \$2,473 to date and the amortization on fixed and intangible assets came to \$1,411.

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.

EBITDA

EBITDA to date was a loss of \$2,216 (2019 – \$746), a decrease of \$2,962, driven primarily by the loss of revenue due to the temporary closures of cafés and scaled down operations of open cafés, bad debts expense recorded on the deferral of accrued royalties and cooperative advertising contributions for twelve weeks, the recording of non-cash expected credit losses in accordance with IFRS 9, and the recognition of non-cash asset impairment charges. This was partially offset by the wage subsidy, compensation reduction and reduced staff count.

Adjusted for asset impairment charges, year to date EBITDA loss was \$1,429.

Other loss

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

Interest and Financing Costs

The Company reported net interest and financing costs of \$1,062, as compared to \$429 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 \$5,579 or \$0.24 per share to date, as compared to net loss last year of \$1,073 or \$0.05 per share.

Adjusted for impairment and fair market value adjustments on warrants, net loss to date was \$4,673 or \$0.20 per share, as compared to adjusted net loss last year of \$936 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 and stores, same café and store 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 and stores

System sales of cafés and stores comprise the net revenue reported to Second Cup by franchisees of Second Cup cafés and by Company-owned cafés, as well as net revenue reported by Bridgehead coffeehouses and Hemisphere retail cannabis dispensaries.

This measure is useful in assessing the operating performance of the entire Company network, such as capturing the net change of the overall café and store network. Changes in system sales of cafés and stores result from the number of open locations and same café/store sales.

Same café and store sales

Same café and store sales represent the percentage change, on average, in sales at cafés and stores 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 and store 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		39 weeks ended	
	September 26, 2020 ¹	September 28, 2019	September 26, 2020 ¹	September 28, 2019
Net loss	\$ (751)	\$ (933)	\$ (5,579)	\$ (1,073)
Add (deduct):				
Income tax recovery	(274)	(339)	(2,033)	(391)
Interest and financing loss	362	197	1,062	429
Other loss (income)	-	349	450	(818)
Operating loss	<u>\$ (663)</u>	<u>\$ (726)</u>	<u>\$ (6,100)</u>	<u>\$ (1,853)</u>

	13 weeks ended		39 weeks ended	
	September 26, 2020 ¹	September 28, 2019	September 26, 2020 ¹	September 28, 2019
Net loss	\$ (751)	\$ (933)	\$ (5,579)	\$ (1,073)
Add (deduct):				
Income tax recovery	(274)	(339)	(2,033)	(391)
Interest and financing loss	362	197	1,062	429
Other loss (income)	-	349	450	(818)
Depreciation of property and equipment	434	221	1,168	566
Amortization of intangible Assets	68	103	243	359
Amortization of right-of-use assets	892	581	2,473	1,674
EBITDA	<u>\$ 731</u>	<u>\$ 179</u>	<u>\$ (2,216)</u>	<u>\$ 746</u>
Add impact of the following:				
Asset impairment Charges	-	-	787	-
Other charges	-	606	-	1,005
Adjusted EBITDA	<u>\$ 731</u>	<u>\$ 785</u>	<u>\$ (1,429)</u>	<u>\$ 1,751</u>

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	13 weeks ended		39 weeks ended	
	September 26, 2020 ¹	September 28, 2019	September 26, 2020 ¹	September 28, 2019
Net loss	\$ (751)	\$ (933)	\$ (5,579)	\$ (1,073)
Add (deduct) impact of the following:				
After-tax other	-	256	329	(599)
(income) loss				
After-tax asset	-	-	577	-
impairment				
After-tax transition	-	444	-	736
costs				
Adjusted net loss	<u>\$ (751)</u>	<u>\$ (233)</u>	<u>\$ (4,673)</u>	<u>\$ (936)</u>

	13 weeks ended		39 weeks ended	
	September 26, 2020 ¹	September 28, 2019	September 26, 2020 ¹	September 28, 2019
Net loss per share	\$ (0.03)	\$ (0.04)	\$ (0.24)	\$ (0.05)
Add (deduct) impact of the following:				
After-tax other	-	0.01	0.01	(0.03)
(income) loss per				
share				
After tax asset	-	-	0.03	-
impairment				
After-tax transition	-	0.02	-	0.04
costs per share				
Adjusted net loss per share	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.20)</u>	<u>\$ (0.04)</u>

¹The 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 number of Company stores 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 regulations, 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 continue integration activities relating to the Company’s acquisition, and the ability to continue expansion into the retail cannabis market. Risks and uncertainties include: the ability to achieve anticipated benefits of the corporate reorganization; 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 stores temporarily suspending operations, decrease the willingness of guests to patronize the Company’s cafes and stores, shortages of employees to staff the Company’s stores, interruption of supplies from third parties upon which the Company relies, governmental regulations adversely impacting the Company’s business; the Company’s eligibility for government sponsored financial relief programs including the Canada Emergency Commercial Rent Assistance and Canada Emergency Wage Subsidy; landlord willingness to consider franchisees’ requests for deferrals of rent or loan repayments and/or the Company’s requests to amend or terminate certain store 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.