

Aegis Brands Announces Sale of Second Cup Coffee Co. to Foodtastic

Français

NEWS PROVIDED BY

Aegis Brands Inc.

Feb 08, 2021, 07:30 ET

SHARE THIS ARTICLE

MISSISSAUGA, ON, Feb. 8, 2021 /CNW/ - Aegis Brands Inc., ("Aegis" or the "Company") (TSX: **AEG**) today announced that it has entered into a definitive agreement (the "Purchase Agreement") to sell substantially all of the assets comprising its specialty coffee brand Second Cup Coffee Co. ("Second Cup") to Quebec-based Foodtastic Inc. ("Foodtastic"), an emerging leader in the restaurant franchising industry (the "Transaction").

"Second Cup has been a Canadian staple for almost 45 years and we're excited to welcome them into the Foodtastic family" said Peter Mammias, President and CEO of Foodtastic. "We look forward to working with all our new franchisees and emerging through this pandemic with a revitalized Canadian leader in the premium coffee segment. This acquisition is consistent with our strategy of acquiring quality Canadian brands with growth potential."

"We are pleased that the Second Cup brand and franchisees have the opportunity to evolve with a new Canadian partner," said Steven Pelton, President and CEO of Aegis. "At Aegis we will now focus on further development of Bridgehead Coffee and Hemisphere Cannabis, while seeking out exciting new growth and acquisition opportunities."

The purchase price under the Transaction consists of \$14 million in cash payable on closing (subject to customary closing adjustments), as well as a post-closing earn-out based on royalties earned from certain Second Cup cafés opened following closing. The Transaction will significantly strengthen Aegis' balance sheet and permit the Company to accelerate its previously announced growth strategy through accretive acquisitions.

Aegis inherently believes in the power of the entrepreneur. Future acquisition targets will ideally have a strong vision for their brand and the founder at the helm.

"This is a pivotal moment for Aegis Brands. We see many potential opportunities to help talented entrepreneurs and strong brands as they emerge from the challenges of the pandemic," said Pelton. "We are excited about the opportunity to uncover new opportunities for growth. Aegis was created with the vision of building a portfolio of amazing brands that can grow and flourish with access to our resources and expertise. We are committed to letting each company operate as an independent brand, while supporting, promoting, and protecting the Company through its many stages of growth."

Shareholder Approval and Recommendation of the Board

The Transaction is subject to approval by at least two-thirds of the votes cast by common shareholders of Aegis at a special meeting of common shareholders currently expected to be held in March 2021. The directors and executive officers of the Company and certain other major shareholders, collectively holding approximately 43% of the Company's issued and outstanding common shares, have entered into support agreements agreeing to vote their common shares in favour of the Transaction.

The board of directors of Aegis, after consultation with management and its legal advisors, and for reasons to be more fully described in the management information circular to be filed and mailed to common shareholders in connection with the Transaction, has unanimously approved the Transaction and determined that the Transaction is in the best interests of the Company and recommends that common shareholders vote in favour of the Transaction.

The Purchase Agreement

Under the terms of the Purchase Agreement, an affiliate of Foodtastic (the "Purchaser") will acquire substantially all of the assets of the Second Cup business and will assume the post-closing liabilities of the business and pre-closing contractual lease liabilities of Aegis associated with franchised cafés (subject to certain limited exceptions).

The closing of the Transaction is subject to the receipt of certain third-party consents, as well as a number of other customary conditions, including with respect to the truth and accuracy of the parties' representations and warranties and material compliance with their respective covenants.

The Purchase Agreement includes customary non-solicitation provisions, including Aegis' right to consider and accept unsolicited superior proposals in certain circumstances, subject to a right

to match in favor of the Purchaser. A termination fee of \$336,000 will be payable by Aegis to the Purchaser should the Transaction not close under certain circumstances, including if the Transaction is not completed as a result of Aegis accepting an unsolicited superior proposal. A reverse termination fee of \$336,000 will be payable by the Purchaser to Aegis should the Transaction not close as a result of an uncured breach by the Purchaser of the Purchase Agreement (provided Aegis is not then in breach of the Purchase Agreement).

Copies of the Purchase Agreement and the management information circular to be mailed to common shareholders in connection with the Transaction will be filed with Canadian securities regulators and will be available on the SEDAR profile of Aegis at www.sedar.com. Shareholders are urged to read the management information circular and the other relevant materials when they become available, as such materials will contain important information regarding the Transaction.

About Foodtastic

Foodtastic is the franchisor of multiple restaurant concepts including, Au Coq, La Belle et La Boeuf, Monza, Carlos & Pepe's, Souvlaki Bar, Nickels, Rotisseries Benny, Chocolato, Big Rig and Bacaro. Foodtastic is a leader in the restaurant franchising business with over 130 restaurants and \$240 million in annualized sales.

About Aegis Brands Inc.

Founded in 1975, Aegis Brands Inc., formerly 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. 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.

Cautionary Note on Forward Looking Statements

This press release contains forward-looking statements within the meaning of Canadian securities laws. These forward-looking statements contain statements of intent, belief or current expectations of Aegis. Forward-looking information is often, but not always identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

The forward-looking statements included in this press release, including statements regarding the Transaction, the receipt of necessary shareholder approvals and satisfaction of other closing conditions, the anticipated timing of the special meeting of the Company's common shareholders,

the earn-out component of the purchase price, the nature of Aegis' growth strategy going forward and execution on any of its potential plans (including with respect to the growth and development of Bridgehead Coffee and Hemisphere Cannabis and identification of future acquisition targets) are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. In respect of the forward-looking statements and information included in this press release, Aegis has provided such in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the timing of the mailing of the management information circular, the timing of the common shareholder meeting, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary shareholder approvals, the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Transaction, the ability of the Company to manage the risks (economic, operational, financial, and other risks) associated with the COVID-19 pandemic, the ability of the Company to identify new acquisition opportunities and to successfully integrate past and future acquisition targets into the Company's business, and the Company's ability to generally execute on its strategy going forward. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release.

Risks and uncertainties that may cause such differences include but are not limited to: the risk that the Transaction may not be completed on a timely basis, if at all; risks that the conditions to the consummation of the Transaction may not be satisfied; the risk that the Transaction may involve unexpected costs, liabilities or delays; the risk that, prior to the completion of the Transaction, Aegis' business may experience significant disruptions, including loss of customers or employees, due to transaction-related uncertainty or other factors; the possible occurrence of an event, change or other circumstance that could result in termination of the Transaction; risks that the Transaction may have a negative impact on the market price and liquidity of the common shares; risks related to the diversion of management's attention from Aegis' ongoing business operations; risks relating to the failure to obtain necessary shareholder approvals; risks related to the Company's strategy going forward; risks related to the COVID-19 pandemic; and other risks inherent in the industry in which Aegis operates.

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 cafés temporarily suspending operations; a decrease in the willingness of guests to patronize the Company's cafés; shortages of employees to staff the Company's cafés; interruption of supplies from third parties upon which the Company relies; the imposition of governmental regulations that adversely impact the Company's business; the availability of the Canada Emergency Commercial Rent Assistance 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.

Failure to obtain the requisite approvals or the failure of the parties to otherwise satisfy the conditions to or complete the Transaction, may result in the Transaction not being completed on the proposed terms, or at all. In addition, if the Transaction is not completed, and Aegis continues in its current form, the announcement of the Transaction and the dedication of substantial resources of Aegis to the completion of the Transaction could have a material adverse impact on Aegis' share price, its current business relationships (including with future and prospective employees, customers and partners) and on the current and future operations, financial condition and prospects of Aegis. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Aegis' operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

The forward-looking statements in this press release are made as of the date it was issued and Aegis does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that outcomes implied by forward-looking statements will not be achieved. Aegis cautions readers not to place undue reliance on these statements.

SOURCE Aegis Brands Inc.

For further information: Aegis Brands Inc., Ba Linh Le, Chief Financial Officer, (905) 362-1827, investors@aegisbrands.ca; or Erin Richards, (416) 627-5728, erin@hypepr.ca; Foodtastic, Catherine Woron, (514)-604-4898, cw@cwcommunications.ca