

# Aegis Brands Reports Fourth Quarter and Fiscal Year Results

---

NEWS PROVIDED BY

**Aegis Brands Inc.**

Mar 31, 2021, 09:16 ET

SHARE THIS ARTICLE

---

MISSISSAUGA, ON, March 31, 2021 /CNW/ - **Aegis Brands Inc.** (the "Company" or "Aegis Brands") (TSX: [AEG](#)) today reported financial results for the fourth quarter and fiscal year ended December 26, 2020. Concurrently with filing its annual financial statements, the Company has withdrawn its previously announced application for a management cease trade order.

## **Highlights**

- Aegis entered a definitive agreement to sell Second Cup for \$14 million plus earn out.
- Consolidated Net Loss including Second Cup for Q4 and fiscal year was \$14.0 million and \$19.6 million respectively compared with \$3.6 million and \$4.7 million for last year.
- Q4 and fiscal year Net Loss from continuing operations, excluding Second Cup, was \$6.1 million and \$7.7 million respectively compared with \$1.1 million and \$1.9 million last year, in large part due to non-cash impairment charges of \$3.6 million as a result of the COVID-19 pandemic.
- Bridgehead's Same Store Sales were (38.52%) when compared with (43.97%) in the third quarter of 2020.
- Hemisphere's revenue increased by 38% from Q3 to Q4.

## **Aegis Brands Inc.**

In February of 2021, the Company entered into a definitive agreement to sell its Second Cup Coffee Co. retail operating brand. Subject to shareholder approval and closing activities, the Company will receive \$14 million in cash upon consummating the sale of Second Cup, which will significantly strengthen the Company's financial position to carry out its strategic objectives

in consolidation and growing Bridgehead and Hemisphere Cannabis. The company expects to close this transaction in April.

"Second Cup is a remarkable brand with more than 45 years of brand equity in Canada, said Steven Pelton, President and CEO of Aegis Brands. "We are happy to see the brand continue with Foodtastic, a Canadian company that has a great deal of experience in the franchise business. The sale of Second Cup will enable Aegis to focus resources on further development of Bridgehead Coffee and Hemisphere Cannabis, and compelling new growth and acquisition opportunities with likeminded, innovative entrepreneurs that align with our vision," said Pelton.

Moving forward with a clean balance sheet, the Company will focus on its consolidation and acquisition strategy at a pivotal time when there is much opportunity. Aegis is actively exploring several opportunities in the food and beverage and cannabis sectors.

"It is an exciting time in the Food and Beverage industry. There is pent up demand which will be great for the industry when restrictions are lifted. What I believe to be more exciting is all the innovation that has occurred during the pandemic, which will continue to improve sales, efficiencies and connection with consumers as stores reopen," said Pelton. "In the Retail Cannabis industry, we believe it is important to gain scale rapidly and we are actively exploring options for consolidation. Although the sector has been negatively affected by the recent lockdowns, the legal market is growing as we see new consumers enter the stores."

## **Bridgehead**

Bridgehead continues to see strong e-commerce and wholesale sales, now selling coffee in Costco, Farm Boy and Whole Foods in addition to several local Ottawa vendors. In recent weeks, Bridgehead is also seeing steady increases in traffic and sales at its stores, with vaccination rates rising and restrictions loosening.

Bridgehead's Same Store Sales were (38.52%) compared with (43.97%) in the third quarter of 2020, as a result of reduced restrictions in the greater Ottawa area. 16 of 20 Bridgehead locations were open in Q4 which was consistent with Q3.

"The impact of the second wave of the pandemic and subsequent implications for the food service and retail industries continues to impact our stores," said Kate Burnett, COO of Bridgehead Coffee. "With restrictions slowly lifting and vaccinations plans underway, we are highly encouraged to see customer responding, steadily driving foot traffic and sales back into stores."

In Fall 2021, Bridgehead will open a new location at Carleton University, as it continues to explore exciting expansion opportunities for the brand. With the continued movement to bolster support for local Canadian brands, the timing to introduce this meaningful, purpose-driven brand to the rest of the country will be well suited.

### **Hemisphere Cannabis Co.**

In the fourth quarter the Hemisphere brand opened two new downtown locations in Toronto and Ottawa. As a result of this increase in store count, Hemisphere's sales rose by 38% when compared to Q3. Despite the additional competition and lockdown measures impacting its stores, Hemisphere's gross margin in the fourth quarter remained strong at 33.2%.

The brand continues to focus on scaling and building brand awareness in order to compete, with plans to open three additional stores before the end of the second quarter. Two additional stores are slated to open later in 2021. Knowing scale remains imperative in this market, Aegis is actively considering options for consolidation.

### **About Aegis Brands Inc.**

Aegis Brands Inc.'s vision is to build a portfolio of amazing brands that can grow and flourish with access to resources and expertise. The Company is committed to letting each company under the Aegis Brands umbrella operate as an independent brand, and to provide shared expertise – and shared services – to help them thrive. The Company now owns and operates Bridgehead and Hemisphere Cannabis Co. as well as the Second Cup Coffee Co. specialty coffee business which is currently under the sale process to Foodtastic. For more information, please visit [www.aegisbrands.ca](http://www.aegisbrands.ca) or find the Company on Facebook and Twitter.

## **CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD, HEMISPHERE CANNABIS CO. AND AEGIS CORPORATE**

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the audited Consolidated Financial Statements of the Company for the 52 weeks ended December 26, 2020.

(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		52 weeks ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
System sales of cafés and stores <sup>1</sup>	\$3,701	-	\$11,201	-
Same café and stores sales <sup>1,2</sup>	(38.5%)	-	(32.1%)	-
Number of cafés & stores - end of period	24	-	24	-
Total revenue	\$3,701	-	\$11,201	-

Operating costs and expenses	\$7,902	\$508	\$18,140	\$1,795
Operating loss <sup>1</sup>	(\$4,201)	(\$508)	(\$6,939)	(\$1,795)
EBITDA <sup>1</sup>	(\$3,467)	(\$508)	(\$4,182)	(\$1,795)
Adjusted EBITDA <sup>1</sup>	(\$275)	(\$508)	(\$626)	(\$1,795)
Net loss and comprehensive loss	(\$6,141)	(\$1,053)	(\$7,730)	(\$1,872)
Adjusted net loss and comprehensive loss <sup>1</sup>	(\$4,349)	(\$372)	(\$5,124)	(\$1,790)
Basic and diluted loss per share as reported	(\$0.27)	(0.05)	(\$0.34)	(0.09)
Adjusted basic and diluted loss per share <sup>1</sup>	(\$0.18)	(0.02)	(\$0.22)	(0.09)
Total assets - end of period	\$25,235	\$113,352	\$25,235	\$113,352
Number of weighted average common shares issued and outstanding	22,916,028	20,394,959	22,839,842	20,135,567

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

<sup>2</sup>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. This metric is limited to the Bridgehead brand, as the Hemisphere brand started in mid-July of fiscal 2020, and as such, there is no comparative information available. Compared with sales of Bridgehead in prior year before acquisition.

## CONSOLIDATED HIGHLIGHTS: DISCONTINUED OPERATIONS OF SECOND CUP

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the audited Consolidated Financial Statements of the Company for the 52 weeks ended December 26, 2020.

(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		52 weeks ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
System sales of cafés and stores <sup>1</sup>	\$16,285	\$36,132	\$69,342	\$137,757
Same café and stores sales <sup>1,2</sup>	(42.5%)	(2.6%)	(34.6%)	(1.6%)
Number of cafés & stores - end of period	216	244	216	244
Total revenue	\$4,603	\$7,605	\$15,679	\$27,037
Operating costs and expenses	\$15,885	\$10,813	\$30,339	\$30,811
Operating loss <sup>1</sup>	(\$11,282)	(\$3,208)	(\$14,660)	(\$3,774)
EBITDA <sup>1</sup>	(\$10,691)	(\$2,299)	(\$12,329)	(\$265)
Adjusted EBITDA <sup>1</sup>	(\$585)	\$297	(\$1,799)	\$3,336
Net loss and comprehensive loss	(\$7,906)	(\$2,548)	(\$11,892)	(\$2,802)
Adjusted net loss and comprehensive loss <sup>1</sup>	(\$621)	(\$646)	(\$4,296)	(\$164)
Basic and diluted loss per share as reported	(\$0.35)	(\$0.13)	(\$0.52)	(\$0.14)
Adjusted basic and diluted loss per share <sup>1</sup>	(\$0.03)	(\$0.03)	(\$0.19)	(\$0.01)
Total assets - end of period	\$77,421	\$113,352	\$77,421	\$113,352
Number of weighted average common shares issued and outstanding	22,916,028	20,394,959	22,839,842	20,135,567

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

<sup>2</sup>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 January 9, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Bridgehead, which is based in Ottawa. 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.

### ***Held For Sale and Discontinued Operations***

On February 7, 2021, the Company entered into a definitive purchase agreement to sell substantially all of the assets comprising its specialty coffee brand, Second Cup Coffee Co. ("Second Cup"), to an affiliate of Quebec-based Foodtastic Inc. ("Foodtastic"). As at December 26, 2020, the Company is committed to a plan to sell the disposal group, comprising the assets and liabilities of Second Cup which are included in the definitive purchase agreement (the "Agreement"). The disposal group is expected to be sold to Foodtastic for a sale price, as outlined in the Agreement, 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 completion of the sale. The sale of this disposal group is subject to approval by at least two-thirds of the votes cast by the Company's common shareholders at a special meeting of common shareholders scheduled to be held on April 7, 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. Management has assessed that the Second Cup assets met the criteria to be classified as held for sale as at December 26, 2020 and it is unlikely that significant changes to the transaction will be made or that the plan will be withdrawn. The disposal group is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of this nature in the retail industry, and the sale is highly probable based on the factors above. In accordance with IFRS 5 ("Non-Current Assets Held for Sale and Discontinued Operations"), the Company has classified this disposal group as held for sale as its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Company has measured the disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell being \$14 million less \$500 in estimated costs to sell and \$1,750 estimated in working capital adjustments. As at December 26, 2020, the carrying value of the Second Cup disposal group was \$23 million, which gave rise to an impairment loss of \$11.2 million.

As the disposal group referenced above represents a major line of business, and the Company has a single coordinated plan to dispose of this separate major line of business. As such, the Company has presented the disposal group as discontinued operations as a single amount in the consolidated statement of operations and comprehensive loss, comprising the post-tax loss of discontinued operations and post-tax loss recognized on the measurement to fair value less costs to sell. The Company has further disclosed details of the discontinued operations in note 29 in its annual consolidated financial statements.

### **Fourth Quarter – Aegis Brands Inc.**

### ***System sales of cafés and stores***

System sales of cafés and stores for the 13 weeks ended December 26, 2020 were \$3,701 composed of revenue generated from Company-owned and operated Bridgehead cafés as well as Hemisphere retail cannabis dispensaries. Both Bridgehead and Hemisphere joined the Aegis family of retail brands in fiscal 2020, and as such there is no comparative prior information.

### ***Same café and store sales***

During the Quarter, same café sales at Bridgehead locations decreased by 38.5%, as cafés continued to be impacted by the ongoing economic impacts of the COVID-19 pandemic, including temporary closures and significant restrictions on store operations, such as the closure of dining room space and operations limited to take-out, delivery and drive-thru.

### ***Analysis of revenue***

The Company generated revenue for the Quarter of \$3,701 from its Company-owned and operated locations.

Sales composed of \$1,029 were generated through retail cannabis products and accessories at Hemisphere Cannabis Co. locations. The Company opened its first two recreational retail cannabis locations in the third Quarter of fiscal 2020, and added two locations in the fourth Quarter.

Company-owned and operated Bridgehead coffeehouses generated sales of \$2,672 in the Quarter.

As per preceding discussions, sales across both brands continued to be weighed down by drop in consumer foot traffic as a direct result of restrictions from the COVID-19 pandemic.

### ***Operating costs and expenses***

Operating costs and expenses include the costs of Company-owned stores and product sales, general and administrative expenses, loss on disposal of assets, and depreciation and amortization. Operating costs were partially reduced by the amount of the financial relief that the Company applied for and received in connection with the Canada Emergency Wage Subsidy, the Canada Emergency Commercial Rent Assistance, and the Canada Emergency Rent Subsidy programs introduced by the Federal Government in response to the ongoing COVID-19 pandemic. People costs also went down due to a reduction in remuneration of Aegis Central staff through temporary and permanent layoffs, suspension of compensation for the Board of Directors, and the reduction of salaries for certain members of the Company's Senior Leadership Team.

Total operating costs and expenses for the Quarter totaled \$7,902, of which \$2,003 is attributable to costs incurred in connection with the operations of retail cannabis dispensaries; \$5,354 attributable to Company-owned coffeehouses; and \$545 attributable to Aegis Corporate. Aegis Corporate costs are made up of costs related to certain administrative functions and public company related expenses.

Company-owned stores and product related expenses for the Quarter were \$3,118, of which \$1,050 is attributable to Hemisphere and \$2,068 attributable to Bridgehead.

General and administrative expenses were \$857 for the Quarter, of which \$321 attributable to Bridgehead and \$536 is attributable to Aegis.

Depreciation and amortization expense was \$735, of which \$291 is attributable to Hemisphere, \$435 attributable to Bridgehead and \$9 is attributable to Aegis. Total amortization of right-of-use assets was \$658 and the amortization on fixed and intangible assets came to \$77.

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 analysis was performed for fixed and right-of-use assets as well as on the Company's trademarks and goodwill recorded on acquisition of Bridgehead. The Company has recorded non-cash asset impairment charges of \$3,192 in the Quarter against its right-of-use assets and property and equipment, of which \$662 is attributed to Hemisphere and \$2,530 to Bridgehead.

#### ***EBITDA***

EBITDA for the Quarter was a loss of \$3,467. Adjusted for impairment charges, EBITDA for the Quarter was a loss of \$275.

#### ***Other income***

Other income was \$1,399, composed of \$791 of government grants from COVID-19 financial relief programs \$486 reduction in contingent consideration in accordance with the terms of the Bridgehead purchase agreement and \$122 in the change in the fair market value of NAC warrants (now converted to High Tide warrants) using the Black-Scholes pricing model.

In the prior year's quarter, the Company incurred other expenses of \$929, made up of the change in fair value of NAC warrants of \$780 and acquisition costs of \$240, partially offset against income from the NAC strategic alliance of \$91.

### ***Interest and Financing Costs***

The Company reported net interest and financing costs of \$356. This is composed primarily of interest expense recorded on the Company's lease payments for right-of-use assets recognized in accordance with IFRS 16 (\$309) as well as financing costs incurred with respect to the short-term debts of the Company (\$47).

### ***Net loss***

The Company reported a net loss for the quarter of \$6,141 or \$0.27 per share. Adjusted for impairment costs, government financial relief programs and the revaluation of contingent consideration, the net loss was \$4,349 or \$0.18 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".

## **Full Year – Aegis Brands Inc.**

### ***System sales of cafés and stores***

System sales of cafés and stores for fiscal 2020 were \$11,201 composed of revenue generated from the Company's cafés and retail cannabis dispensaries. Sales were significantly impacted 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 sales at Bridgehead locations decreased by 32.1% as cafés experienced significant disruption in business activities as a result of the ongoing economic impacts of the COVID-19 pandemic, including the temporary closures of stores and restrictions on store operations such as the closure of dining room space and operations limited to take-out, delivery and drive-thru.

### ***Analysis of revenue***

The Company generated revenue for the Year of \$11,201 from its Company-owned and operated locations.

Sales of \$1,773 were generated through the sale of retail cannabis products and accessories at Hemisphere Cannabis Co. locations. The Company operates four recreational retail cannabis dispensaries, out of which two locations opened the doors for business in the Company's last fiscal Quarter of 2020.

Company-owned and operated Bridgehead coffeehouses generated sales of \$9,428 in the Year.

Sales for the majority of fiscal 2020 continued to be impacted by the ongoing impacts of the COVID-19 pandemic.

***Operating costs and expenses***

Operating costs and expenses include the costs of Company-owned stores and product sales, general and administrative expenses, loss on disposal of assets, and depreciation and amortization. Operating costs were partially reduced by the amount of the financial relief that the Company applied for and received in connection with the Canada Emergency Wage Subsidy, the Canada Emergency Commercial Rent Assistance, and the Canada Emergency Rent Subsidy programs introduced by the Federal Government in response to the ongoing COVID-19 pandemic. People costs also went down due to a reduction in remuneration of Aegis Central staff through temporary and permanent layoffs, suspension of compensation for the Board of Directors, and the reduction of salaries for certain members of the Company's Senior Leadership Team.

Total operating costs and expenses to date were \$18,140, out of which \$3,345 of costs are attributable to the operation of the Company's recreational retail cannabis dispensaries; \$13,095 attributable to Company-owned coffeehouses; \$1,700 attributable to certain administrative costs and services, as well as public company related expenses under Aegis Corporate.

Company-owned stores and product related expenses for the Year were \$9,221, of which \$2,024 is attributable to Hemisphere and \$7,197 attributable to Bridgehead.

The Company's general and administrative expenses for the Year were \$2,606, of which \$922 is attributable to Company-owned Bridgehead coffeehouses; \$1,684 attributable to Aegis Corporate, which is a marginal decrease in comparison to the \$1,795 of general and administrative expenses under Aegis Corporate.

Depreciation and amortization expense was \$2,757, of which \$659 is attributable to Hemisphere; \$2,082 attributable to Bridgehead; and \$16 attributable to Aegis Corporate. Total amortization expense is composed of amortization of right-of-use assets of \$1,912 and the amortization on fixed and intangible assets came to \$845.

Impairment indicators were identified as a result of the economic impacts of the COVID-19 pandemic through fiscal 2020, which has resulted in the temporary closures of cafés and scaled down nature of operations of open cafés. Impairment analysis was performed over the Company's fixed and right-of-use assets, as well as on the Company's trademarks and goodwill

recorded on acquisition of Bridgehead. The Company has recorded non-cash asset impairment charges of \$3,556 for fiscal 2020 to its right-of-use assets and property and equipment, of which \$662 is attributed to Hemisphere and \$2,894 to Bridgehead.

### ***EBITDA***

EBITDA to date was a loss of \$4,182 across the retail operating brands under Aegis Brands Inc. Adjusted for asset impairment charges, EBIDTA loss is \$626.

### ***Other income***

Other income to date was \$950, composed of \$792 of government grants from COVID-19 financial relief programs, \$486 from the revaluation of contingent consideration in accordance with the terms of the Bridgehead purchase agreement; this was partially offset against the change in the fair market value of equity securities based on the Black-Scholes pricing model.

In the prior year, the Company recognized other expense of \$111 composed of recognized income from the NAC strategic alliance of \$1,399, offset against the change in fair value of warrants of \$1,270 and acquisition costs of \$240.

### ***Interest and Financing Costs***

The Company reported net interest and financing costs of \$792 largely driven by non-cash interest expense recorded on the Company's lease obligations in accordance with IFRS 16 (\$745), as well as financing costs of \$47 incurred with respect to the short-term debts of the Company (\$47).

### ***Net loss***

The Company reported a net loss of \$7,730 or \$0.34 per share to date. Adjusted for asset impairment charges, fair market value adjustments on warrants, financial relief programs for COVID-19 and the revaluation of the contingent consideration, net loss to date was \$5,124 or \$0.22 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".

## **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 Gross Revenue from Company-operated cafés and retail cannabis dispensaries.

***Same café and store sales***

Same café and store sales represents the percentage change, on average, in retail sales at cafés and retail cannabis dispensaries that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance and provides a useful comparison between fiscal quarters. The two principal factors that affect this metric are changes in customer traffic and changes in average check (the average dollar amount on a single transaction at the café or store). For comparison, same café sales for Bridgehead were measured against sales in the prior year before acquisition by the Company.

***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.



*The forward-looking statements included in this press release, including statements regarding the sale of Second Cup to Foodtastic ("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 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](http://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: Ba Linh Le, Chief Financial Officer, (289) 217-5680, [investors@aegisbrands.ca](mailto:investors@aegisbrands.ca) ; or Erin Richards, (416) 627-5728, [erin@hypepr.ca](mailto:erin@hypepr.ca)