# AEGIS BRANDS ANNOUNCES ACQUISITION OF THE ASSETS OF ST. LOUIS BAR AND GRILL AND CONCURRENT FINANCING

NEWS PROVIDED BY
**Aegis Brands Inc.**
Sep 29, 2022, 09:49 ET


***/NOT FOR DISTRIBUTION TO THE U.S. NEWSWIRE OR FOR DISSEMINATION IN THE UNITED STATES/***

MARKHAM, ON, Sept. 29, 2022 /CNW/ - Aegis Brands Inc. ("**Aegis**" or the "**Company**") (TSX: AEG) is pleased to announce that a definitive agreement (the "**Definitive Agreement**") has been entered into to acquire St. Louis Bar & Grill® ("**St. Louis**") for total consideration of $50.0 million (the "**Purchase Price**"), subject to certain closing adjustments (the "**Transaction**"). The Purchase Price will be satisfied entirely with cash. Pursuant to the Transaction, Aegis will acquire, indirectly, substantially all of the assets and intellectual property of "St. Louis Bar & Grill"® brand and trademark.

St. Louis Bar and Grill® is a Toronto based franchised casual dining bar & grill company, operating in 72 locations across 4 provinces. Founded in Toronto in 1992, St. Louis is recognized for its signature wings, ribs, and garlic dill sauce. St. Louis' neighbourhood restaurants offer exceptionally friendly service in a fun, casual sports bar & grill setting.

St. Louis' 2023 projected earnings before interest, tax, depreciation and amortization (EBITDA) of $7.6 million implies a 6.6x EBTIDA multiple. The Purchase Price and the related transaction expenses will be funded through a draw of $30.0 million under the Company's existing Senior Facility with CWB Financial Group and the balance will be financed through a "best efforts" private placement of Debenture Subscription Receipts and Common Share Subscription Receipts for gross proceeds of $25.0 million (or $28.8 million upon the exercise in full of a 15.0% Over-Allotment Option) with Echelon Capital Markets ("**Echelon**") acting as co-lead agent and sole bookrunner, and Canaccord Genuity Corp. acting as co-lead agent (and together with Echelon, the "**Agents**") (the "**Offering**"). Details of the Senior Facility and the Offering are provided below.

″Brent Poulton and his team have done an exceptional job growing and fine-tuning this brand over the years," said Steven Pelton, President and CEO of Aegis. "We couldn't be happier to welcome the brand, the employees and the franchisees of St. Louis into Aegis. Aegis' intent is to continue to grow the St. Louis brand across Canada and beyond. I admire the culture and vision of the brand and we intend to build-off what has been created. The store-level economics and exciting growth plans allows St. Louis to fit perfectly into Aegis' plans to grow and create value for shareholders and we expect this acquisition to be accretive in the first year. Mr. Poulton built a company that focused on the fundamentals of the restaurant business. This has resulted in a very healthy network of franchised stores which will serve as a strong foundation upon which to grow."

## Transaction Highlights

The Transaction is aligned with Aegis' long-term business strategy to grow into the premier consolidator of Canadian food and beverage brands. The highlights of the Transaction include the following:

- *St. Louis Represents a Strong, Established, and Stable Brand in the Canadian Casual Dining Space*
    - St. Louis brand was established in 1992 and strong brand recognition has been built over 30 years
    - Compelling customer proposition: fun, energizing, casual atmosphere perfect for a night out with friends and sophisticated enough to host corporate events
    - Diversified footprint, with 72 franchised locations operating across 4 provinces
    - St. Louis has demonstrated a strong degree of operational resilience; throughout the course of the pandemic, 4 net new stores were opened
- *Durable, Agile, and Forward-thinking Business*
    - Operations possess robust unit economics for franchisees, generating +21% cash-on-cash returns and ~20% 4-wall EBITDA margins (before royalty, management fees and advertising funds payments)
    - Access to dedicated business intelligence team to analyze demographic segmentation, conduct market area analysis, and determine traffic / competition access
    - Well-developed off-premises business, with proprietary St. Louis mobile app in use across a wide user base

- *Robust Combined Financial Profile*
  - Run rate same-store-sales since pandemic restrictions lifted +1% to 2019 levels, and +38% over 2021
  - Highly visible pipeline for expansion, with +50% new store growth projected over the next 3-years
  - Strong profitability and cash flow profiles, touting ~48% corporate-level EBITDA margins (2023E) and expected approximately $5.0 million of free cash flow (2023E)
- *Continued Management and Board, Supported by Management with Complementary Expertise*
  - Aegis' current Board and management, having extensive experience across M&A and multi-national franchise businesses will continue to advise and support Aegis with the growth of the St. Louis and Bridgehead brands
  - St. Louis' management team (other than Brent Poulton and Barry Poulton), with a track-record of success and experience in a wide variety of restaurant formats will join Aegis, expanding the depth and breadth of Aegis' expertise

**Offering**

In connection with the Transaction, Aegis engaged the Agents to conduct a "best efforts" private placement offering of subscription receipts. Aegis is pleased to announce that is has closed the Offering today for gross proceeds of $28.4 million, representing $3.4 million of Common Share Subscription Receipts and $25.0 million of Debenture Subscription Receipts.

The Offering consisted of: (i) up to $3.0 million or 9,259,259 common share subscription receipts (each a "**Common Share Subscription Receipt**") at a price of $0.324 per Common Share Subscription Receipt and (ii) up to $22.0 million in principal amount of (or 22,000) convertible debenture subscription receipts (each a "**Debenture Subscription Receipt**") at a price of $1,000 per Debenture Subscription Receipt, for total gross proceeds of a total of $25.0 million, subject to a 15% allotment granted to the Agents on each of the Common Share Subscription Receipt and Debenture Subscription Receipt private placements (the "**Over-Allotment Option**"), for total maximum aggregate proceeds of $28.8 million.

Each Common Share Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, including the completion of the Transaction, and without payment of additional consideration or further action, one common share in the capital of the Company (each a "**Common Share**").

Each Debenture Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, one $1,000 principal amount, unsecured convertible debenture (the "**Convertible Debentures**"). The Convertible Debentures shall bear interest of 11.0% per annum and shall have a maturity date of sixty (60) months from the closing of the Offering (the "**Maturity Date**"). The Convertible Debentures will be convertible at the holder's option into Common Shares at any time prior to the close of business on the Maturity Date at a conversion price of $0.485. The Company will use the aggregate net proceeds from the Offering to fund a portion of the Purchase Price, transaction related expenses and general corporate purposes.

The Common Shares, Convertible Debentures, and the Common Shares issued upon conversion of the Convertible Debentures will be subject to a statutory hold for a period of four months and one day from the closing date of the Offering.

The Company has received conditional approval to list the Common Shares, Convertible Debentures, and the Common Shares issuable upon conversion of the Convertible Debentures, on the Toronto Stock Exchange ("**TSX**").

Upon completion of the Transaction, the Company expects to have approximately 33.6 million Common Shares outstanding.

Certain directors, officers and holders of more than 10.0% of the issued and outstanding Common Shares of Aegis ("**Insiders**") together with certain associates and affiliates of Insiders have acquired an aggregate of $2.4 million of Common Shares Subscription Receipts and Debenture Subscription Receipts under the Offering, representing approximately 9.6% of the Common Shares (assuming full exercise of the Over-allotment Option) to be issued under the Offering and 8.2% (assuming full exercise of the Over-allotment Option) of the Convertible Debentures to be issued under the Offering.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

**Senior Facility**

The Purchase Price will be partially funded through Aegis' existing development line of credit with Canadian Western Bank Franchise Finance (the "**Senior Facility**") for an aggregate gross amount of $30.0 million. The Senior Facility has a term of 59 months and is secured by first ranking security interest on all assets and subsidiaries of Aegis. The Senior Facility will bear an interest rate of prime plus an applicable margin of 2.75% (8.20% effective rate) and will amortize over a ten (10) year period.

**Transaction Structure**

The Transaction will be completed through Aegis' wholly-owned subsidiary, SLF Operations Limited Partnership which has entered into a Definitive Agreement with St. Louis. The Transaction, which has been approved by the boards of directors of Aegis and St. Louis, is subject to the receipt of all required approvals, as applicable, all as outlined in the Definitive Agreement (a copy of which will be filed to SEDAR under Aegis' profile at www.sedar.com).

In light of the participation by Insiders, the number of Common Shares issuable under the Offering, the deemed discount to the market price under the applicable rules of the TSX and the pricing of the securities prior to the announcement of the Transaction, the approval of Aegis' shareholders (the "**Shareholders**") to the Offering is required in accordance with the applicable rules of the TSX. As participation by Insiders is considered to be a "related party transaction" as defined in applicable securities laws, the approval of a majority of disinterested Shareholders, excluding existing Shareholders who are Insiders or associates and affiliates of Insiders, will also be required.

Aegis will seek the required approval of disinterested Shareholders holding greater than 50% of the Common Shares represented in person or by proxy at a special meeting of Shareholders (the "**Special Meeting**") called for the purpose of approving the Offering in addition to any other required Shareholder approvals.

The Special Meeting is anticipated to be held in November 2022. A notice of meeting and management information circular are anticipated to be delivered to Shareholders in mid-October.

The Transaction is expected to close during the fourth quarter of 2022.

**Investor Participation**

Ewing Morris & Co. Investment Partners Ltd. ("**EMI**") has entered into subscription agreements pursuant to which it has committed to purchase $4.5 million in Debenture Subscription Receipts as part of the Offering. To ensure that there will not be a material effect on the control of Aegis, the terms of the indenture governing the Convertible Debentures will confirm that no holder of a Convertible Debenture shall have the right to exercise conversion rights if such a conversion would cause the holder to beneficially own or control Common Shares representing more than 19.9% of the total number of outstanding Common Shares at the time of any such conversion.

Additionally, Aegis and EMI have agreed that EMI shall have the right, but not the obligation, to designate one individual for nomination to the board of directors of Aegis at each annual meeting of the Shareholders or any special meeting at which all directors are to be elected.

"As providers of growth capital, we are delighted to support Aegis in completing this acquisition. We are confident that Steve and his team will be great shepherds of the St. Louis franchise and continue its growth towards becoming a truly iconic Canadian brand" said Anthony Hammill, Chairman of Ewing Morris.

**Advisors**

Echelon Capital Markets is acting as financial advisor, and Stewart McKelvey is acting as legal advisor to Aegis in connection with the Transaction and the Offering.

Dale & Lessmann LLP is acting as legal advisor to St. Louis in connection with the Transaction.

## About Aegis Brands Inc.

Aegis currently owns and operates Bridgehead Coffee. The Company's vision is to build a portfolio of amazing brands that can grow and flourish with access to Aegis' resources and expertise. The Company is committed to letting each brand operate independently while providing shared expertise to help them thrive. For more information, please visit aegisbrands.ca.

## Forward Looking Statements

*Certain information contained in this news release are not statements of historical fact and are "forward-looking" statements. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements regarding the Company's expectations with respect to the issuance of the Subscription Receipts, completion of the Acquisition and the use of proceeds from the Offering.*

*In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "outlook", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.*

*In making the forward-looking statements in this news release, the Company has applied certain factors and assumptions that are based on information currently available to the Company as well as the Company's current beliefs and assumptions. These factors as well as the risk factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended, many of which are beyond the Company's ability to control or predict. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and all forward-looking statements in this news release are qualified by these cautionary statements.*

*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.*

SOURCE Aegis Brands Inc.

For further information: Media and investor queries: Sam Pinto, spinto@thinkagnostic.com 416-457-4400