

Aegis Brands Reports Third Quarter Results

Aegis takes another step to become a consolidator of great brands

Toronto, ON, November 7th, 2021 -- Today, Aegis Brands Inc. (TSX: AEG) has reported financial results for the third quarter ended September 25th, 2022.

Highlights

- Aegis to acquire St. Louis Bar and Grill for \$50,000,000
- The St. Louis Transaction will close shortly after the special meeting of the shareholders to be held on November 17th
- Aegis' Loss for the quarter was \$2,544,000 or \$(0.10) per share compared to a loss of \$2,780,000 or \$(0.12) per share last year on the continuing operations of the business
- Aegis' year to date Net Loss was \$6,874,000 compared to \$5,783,000 last year
- Bridgehead's EBITDA for the quarter was a loss of \$116,000 compared to a gain of \$606,000 last year primarily due to the timing of subsidies received in 2021

Bridgehead

Total revenue in the third quarter at Bridgehead increased from \$2,864,000 last year to \$3,373,000 which represents a 17.7% increase. Same coffeehouse sales increased by 16.9% mainly due to increased customer traffic and some menu price increases. Total coffeehouse sales increased from \$2,457,000 to \$2,952,000 or 20.1% due to the increase in same coffeehouse sales and the successful operations of the newest location at Carlton University.

Year to date, the coffeehouse sales were \$7,748,000 compared to \$6,029,000 in the prior year, representing an increase of \$1,719,000 or 28.5%. Same coffeehouse sales were also up by 22.8% year to date.

The leadership team at Bridgehead is excited to welcome back the people of Ottawa as they make their return to pre-pandemic life. The coffeehouses are expanding their ability to serve their products by launching a new and improved off-premise catering service for nearby offices and event centres. Digitally enabled, this service will provide incremental sales with limited incremental labour for the existing coffeehouse locations.

“Although the sales are going in the right direction and picking up momentum, the Bridgehead team has also been finding new revenue sources within our coffeehouses. Initiatives such as off-premise catering and local vendor pop-ups within the stores have been introduced to supplement the top line sales. The downtown Ottawa traffic is still greatly reduced compared to 2019 and will continue to be until the federal government workers return to the office on a more regular basis.” said Steven Pelton, President and CEO of Aegis Brands.

The wholesale channel continues to improve and gain momentum with sales of \$287,000 and \$937,000 in the quarter and year to date respectively. This represents a 22.1% increase over 2021. The brand is now selling at 136 grocery stores throughout Ontario compared to less than 60 this time last year. The brand continues to believe that wholesale will be a significant revenue and profit driver as Bridgehead becomes a mainstay in the coffee aisle throughout the province and beyond in the coming years.

St. Louis

Acquisition to close after November 17th shareholder meeting

On September 29th, 2022, Aegis entered into definitive agreement to acquire St. Louis Bar and Grill® for total consideration of \$50,000,000. St. Louis is a Toronto based franchised casual dining bar & grill company, operating in 74 locations across 5 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.

This transaction is aligned with Aegis' long-term business strategy to grow into the premier consolidator of Canadian food and beverage brands.

- The St. Louis brand was established in 1992 and strong brand recognition has been built over 30 years
- 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 fund payments)
- Run rate same store sales since pandemic restrictions lifted are +1% to 2019 levels, and +38% over 2021
- Strong profitability and cash flow profiles, touting ~48% corporate-level EBITDA margins (2023E)
- Highly visible pipeline for expansion, with +50% new store growth projected over the next 3 years

“St. Louis provides a strong foundation for Aegis as our first acquisition coming out of the pandemic. The brand was built on a commitment to franchisee profitability and as a result has successfully grown throughout its 30-year history. We intend to continue the commitment and expect to grow St. Louis throughout Canada and beyond” said Pelton.

Financing

The company raised approximately \$58,000,000 to fund the purchase of St. Louis and provide some working capital. The \$58,000,000 was comprised of senior debt through Canadian Western Bank Franchise Finance (CWB), and the issuance of convertible debt and common shares.

Aegis Brands Inc.

With the acquisition of St. Louis and the progress of Bridgehead, the transformation of Aegis is well underway. Aegis is eager to continue to grow these brands in both traditional bricks and mortar locations as well as through new business channels such as wholesale, ecommerce and other non-traditional locations. Additionally, Aegis will continue to look for complimentary, accretive acquisition opportunities to add to the family of great brands.

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.

Media and investor queries

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