

Aegis Brands Reports First Quarter Results

St. Louis Brand positioning itself for organic and new store growth while focusing on franchisee profitability

Toronto, ON, May 5th, 2023 -- Today, Aegis Brands Inc. (TSX: AEG) has reported financial results for the first quarter ended March 26, 2023.

Highlights

- The first full quarter with St. Louis being part of the Aegis family has provided encouraging results with a net income from that business unit of \$953,000.
- Same store sales at Bridgehead for the first quarter increased by 37.2% over the first quarter of 2022 with system sales increasing by 53.9%.
- Aegis' EBITDA for the quarter was \$684,000 compared to an EBITDA loss of \$1.4 million a year ago.
- Aegis' net loss for the quarter was \$973,000 (\$0.02 per share). Operating income for the quarter was \$36,000 before interest and financing expense.
- Aegis' \$25 million of 11% convertible unsecured subordinated debentures were converted into equity during the quarter.

St. Louis

The first full quarter with St. Louis being part of the Aegis family has shown promising results. System wide sales increased by \$5.8 million to \$27.2 million or 26.8% over last year and \$22.8 million, or 19.8% over 2019. Same Store Sales (SSS) rose by 23.6% over 2022, and -1.4% over 2019. New store growth is planned for the remainder of 2023 and the brand has a robust pipeline of locations and franchisees for new store growth in 2024.

Leading up to the Superbowl, St. Louis launched an "All you Can Eat Boneless" promotion. This promotion increased traffic by 5.8% and increased sales by 10.1% over 2019. Sales on Superbowl Sunday were the largest single day sales in the company's history with over 17,660 pounds of wings sold. Off-premise sales for Superbowl Sunday represented 45% of that day's business.

Since the pandemic began, St. Louis has experienced a shift to more off-premise sales. With the pandemic restrictions now a year in the past, off-premise sales declined as expected. Off-premise sales have now settled in, representing approximately 20% of total sales. Recently, St. Louis signed a deal to have Uber Eats join Skip the Dishes as a third-party delivery partner for the brand. Testing the two platforms working together has begun in a few stores with very encouraging results and minimal cannibalization between the platforms. Most days the test stores are showing ~100% increase in off-premise sales with the addition of the Uber Eats platform.

The success of Q1 was promising and the company is encouraged leading into the seasonally strong second and third quarters. Almost all of the locations have a significant patio that

produce a noticeable increase in weekly sales. Additionally, in Q2 St. Louis runs the most successful promotion of the year, "Wingsanity". Wingsanity is an all-you-can-eat promotion that is now in its tenth year. "The Wingsanity program has established itself as a highly anticipated event for our guests and loyal wing fans alike. Spanning five weeks each summer, the promotion generates tremendous consumer excitement and plenty of media interest," said Royal Nasager, VP of Marketing for St. Louis.

On May 2nd, St. Louis brought back their famous Tuesday Wing Night offer. The Tuesday Wing Night had represented as much as 20% of the weekly in-store traffic prior to the pandemic. In 2020, St. Louis decided to end the Tuesday Wing Night. The decision was made during a time of intermittent lockdowns and restrictions due to the COVID-19 pandemic. "We are super excited to bring back the Tuesday Wing Night. It has been a part of the St. Louis culture for so many years that it had become a part of the St. Louis identity. It was a day wing-lovers could look forward to every week." Said Nasager. "St. Louis will endeavour to regain the traffic this night previously brought to the franchisees with ongoing advertising, marketing and operational support."

Increasing franchisee profitability is at the forefront of St. Louis' priorities. Initiatives including Tik Tok TV, the return of Wing Night and the addition of Uber Eats are just some of the projects in this calendar year to increase the bottom line at the store level. "The franchisees are our partners in this business and their increasing success is the key to our success. We will continue to look for traditional and non-traditional ways to increase both their top and bottom lines at the store level" said Steven Pelton, President of St. Louis and CEO of Aegis Brands. "I am thrilled with the performance of the St. Louis brand so far, and equally as excited about the opportunities that lie ahead. With our people, our products and our dedicated franchisee network I am confident that this brand will expand quickly throughout the country in the years to come." continued Pelton.

Bridgehead

Overall sales at Bridgehead improved in the first quarter to \$3.5 million representing an increase of \$988,000 or 38.9% over prior year. Bridgehead coffeehouse sales throughout the first quarter totalled \$3 million. The first quarter is typically the company's weakest sales generating quarter making the sales over the prior year a good sign for the remainder of the year. In the second quarter, Bridgehead is adding additional locations to the Uber Eats platform which will add an additional revenue stream for those stores in off-premise sales.

There are few companies in Canada with the heritage and quality of Bridgehead. With over 40 years of doing what is right for the earth and for the people who produce their coffee, Bridgehead's story and product are second to none. Management has begun the exercise to better align the branding, and in-store experience to better tell the story of Bridgehead in a manner that relates to consumers in today's world. "By focusing on updating the image of this great brand, we are doing

a great service to the long history of building a brand with values and ethics firmly in place.” said Pelton.

Aegis Brands Inc.

Aegis has executed the first step of its post-pandemic plan by acquiring a meaningful, cash producing business in St. Louis. “It has been a challenging three years in which we made many moves to position this company for a bright future. With the recent St. Louis acquisition, the company is poised to realize significant organic growth within our brands while continuing to look for accretive acquisitions that can grow and benefit from being under the Aegis umbrella.” said Pelton.

NON-IFRS MEASURES

Aegis measures the success of its business in part by employing several key performance indicators referenced herein that are not recognized under IFRS, including same store sales, system sales, and EBITDA. These indicators should not be considered an alternative to IFRS financial measures, such as net income, and are presented in this presentation because management of Aegis believes that such measures are relevant in interpreting the performance of its business. As non-IFRS financial measures do not have standardized definitions prescribed by IFRS, they are less likely to be comparable with other issuers or peer companies. A description of the non-IFRS measures used by Aegis in measuring its performance and a reconciliation of certain non-IFRS measures to the nearest IFRS measure is included in Aegis’ management’s discussion and analysis for the quarter ended March 26, 2023, available on SEDAR at www.sedar.com.

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 nature of Aegis' growth strategy going forward and Aegis' execution on any of its potential plans (including with respect to the growth and development of Bridgehead Coffee, St. Louis Bar and Grill 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.

Risks and uncertainties that may cause such differences include but are not limited to: risks related to the company's strategy going forward; risks related to the rising interest rates and

inflationary pressures on the cost of doing business; and other risks inherent in the industry in which Aegis operates. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. 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).

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 the ability of the company to manage the risks (economic, operational, financial, and other risks) 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.

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.

For more information, please visit aegisbrands.ca.

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