

Aegis Brands Reports Second Quarter Results

St. Louis acquisition delivering on performance and opportunities

Toronto, ON, July 31st, 2023 -- Today Aegis Brands Inc. (TSX: AEG) (“Aegis”) reported financial results for the second quarter, ended June 25, 2023.

Highlights

- The addition of [St. Louis Bar & Grill](#) (“St. Louis”) to the Aegis family has provided encouraging results in the second quarter with net income from the brand of \$1,304,000 for the quarter and \$2,256,000 year-to-date.
- St. Louis system sales increased 2.2% in the quarter to \$32,450,000, and 10.1% year-to-date to \$70,306,000, over the same periods in 2022.
- Same store sales at [Bridgehead](#) for the second quarter increased 17.4% over the second quarter of 2022, with system sales increasing 29.4%.
- Aegis’ EBITDA for the quarter was \$1,300,000 compared to an EBITDA loss of \$2,600,000 in the same quarter last year.
- Aegis’ net loss for the quarter was \$145,000 or \$0.00 per share, versus a loss of \$2,816,000 or \$0.12 per share, in the same quarter last year.
- Operating income for the quarter was \$630,000 before interest and financing expenses compared to an operating loss of \$2,987,000 in the same quarter last year.
- Subsequent to Q2, St. Louis opened its 76th location, in Winnipeg, Manitoba.

St. Louis

St. Louis generated revenue in the second quarter of \$4,812,000, an increase of \$1,289,000 or 36.6% over Q1. Quarterly Same Store Sales (SSS) improved 0.8%, and 10.1% year-to-date. In Q2, St. Louis launched the 10th annual “Wingsanity” campaign, traditionally its most successful promotion of the year. “St. Louis’ all-you-can-eat ‘Wingsanity’ is a hotly anticipated event for our guests and loyal wing fans,” said Royal Nasager, VP of Marketing for St. Louis. “Spanning five weeks each summer, the promotion generates tremendous consumer excitement, traffic and media buzz across the country.”

On May 2nd, 2023, St. Louis brought back its famous “Tuesday Wing Night” offer. Tuesday Wing Night had represented as much as 20% of weekly in-store traffic prior to the COVID-19 pandemic, but between intermittent lockdowns and public health restrictions, St. Louis had to put it on hold in 2020. Since its return this quarter, Tuesday Wing Night has increased sales on Tuesdays by 33.7% and increased traffic by 37.1%.

St. Louis will soon be introducing “Wing City by St. Louis” – a fast-casual concept that will provide another option for consumers to experience St. Louis wings and other menu items. The first two Wing City locations will open in Toronto this fall. “We have a solid pipeline of new locations and franchisees ready to open new full-service St. Louis locations this year, in 2024, and beyond... and we are excited to be able to provide another option to franchisees with the Wing City brand. With a smaller footprint and lower initial investment, the Wing City brand could

provide attractive returns and fuel incremental growth for the company and franchisees,” said Steven Pelton, CEO and President of Aegis Brands.

During the second quarter, St. Louis launched its retail burger in Sobeys, Foodland, and Longo’s, with sales exceeding expectations. St. Louis plans to build on this success with more retail products. “Entering the retail market with the St. Louis brands not only improves the company’s profitability: it also provides incremental marketing for our brand as we are now at home with our customers,” said Pelton.

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 this year to increase the store-level bottom line. Beginning in Q3, St. Louis will join forces with the ice cream brand “Sweet Jesus”. Sweet Jesus ice cream creations will make their debut on the St. Louis menu in five test stores and as a digital storefront on the Uber Eats and Skip the Dishes platforms. “Our goal is to increase dessert sales in stores and through third-party delivery partners with minimal capital investment from our franchise partners,” Pelton said.

“The franchisees are our business partners, and their increasing success is the key to our own 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 Pelton.

Bridgehead

Revenue at Bridgehead improved to \$4,074,000, representing an increase of \$834,000 or 25.7%, over the same quarter last year. Bridgehead coffeehouse sales totalled \$3,635,000, an increase of \$825,000 or 29.4%, over the same quarter last year. Bridgehead has now re-opened all coffeehouses and has just opened a new licensed location in the Ottawa airport.

Wholesale revenue of \$309,000 increased by \$32,000 or 11.6% over the same quarter in 2022. Bridgehead coffee is available in an increasing number of grocery stores in Ontario, including a recent launch in 32 Longo’s locations, all Ottawa Costco locations, and now, Costco in Kingston.

“There are few brands with the heritage and quality of Bridgehead. With over 40 years of doing what’s right for the Earth and for the people who produce its coffee, Bridgehead’s story and products are second to none,” said Pelton. Management has begun the exercise to re-align the company’s branding and in-store experience to tell the Bridgehead story in a way that better-connects with consumers in today’s world. “Today’s consumer overwhelmingly values ethical and sustainable business practices, and factors them into purchase decisions. As other companies scramble to change their practices to meet customer expectations, Bridgehead is already there - and has been, for decades. This initiative will make sure our customers know why they can feel good about doing business with us,” said Pelton.

Aegis Brands Inc.

“St. Louis, Aegis’s first acquisition since the pandemic, is proving to be a terrific brand with significant growth and upside. We are confident we will create significant shareholder value with St. Louis, and are optimistic about Wing City’s potential,” Pelton said.

“The St. Louis acquisition has also provided a foundation of a shared service platform that will allow Aegis to create significant synergies with future acquisitions. We are continuously uncovering opportunities with our existing brands that have us very excited for the future. Our team and franchisees are the best in the business and will be the fuel to our brand’s growth. Additionally, we will continue to look for accretive and opportunistic acquisitions to add to the Aegis family of brands,” said Pelton.

Financial Highlights:

	13 weeks ended		26 weeks ended	
	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
St. Louis Revenue				
Royalties	\$ 1,511	\$ -	\$ 2,788	\$ -
Advertising fund contributions	1,216	-	1,836	-
Other franchise revenue	2,085	-	3,710	-
	<u>\$ 4,812</u>	<u>\$ -</u>	<u>\$ 8,334</u>	<u>\$ -</u>
Bridgehead Revenue				
Coffeehouses	\$ 3,635	\$ 2,810	\$ 6,689	\$ 4,796
Wholesale	309	277	649	650
E-commerce	130	153	264	336
	<u>\$ 4,074</u>	<u>\$ 3,240</u>	<u>\$ 7,604</u>	<u>\$ 5,782</u>
Total Revenue	<u>\$ 8,886</u>	<u>\$ 3,240</u>	<u>\$ 15,938</u>	<u>\$ 5,782</u>

Net Loss to Operating income (loss):

(In thousands of Canadian dollars)	13 weeks ended		26 weeks ended	
	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Net loss	\$ (145)	\$ (2,816)	\$ (1,118)	\$ (4,472)
Add (deduct):				
Income tax recovery	-	(205)		(424)
Interest and financing charges	775	99	1,784	190
Other income	(2)	(65)	(2)	(40)
Operating income (loss)	<u>\$ 628</u>	<u>\$ (2,987)</u>	<u>\$ 664</u>	<u>\$ (4,746)</u>

Net Loss to Adjusted EBITDA:

(In thousands of Canadian dollars)	13 weeks ended		26 weeks ended	
	June 25, 2023	June 26, 2022	June 25, 2023	June 26, 2022
Net loss	\$ (145)	\$ (2,816)	\$ (1,118)	\$ (4,472)
Add (deduct):				
Income tax recovery	-	(205)	-	(424)
Other income	(2)	(65)	(2)	(40)
Interest and financing charges	775	99	1,784	190
Depreciation of property and equipment	158	152	316	318
Amortization of intangible assets	255	-	510	-
Amortization of right-of-use assets	257	251	492	503
EBITDA	\$ 1,300	\$ (2,584)	\$ 1,984	\$ (3,925)
Add impact of the following:				
Revaluation of securities	23	2,904	(16)	3,294
Adjusted EBITDA	\$ 1,323	\$ 320	\$ 1,968	\$ (631)

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 report 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 those of 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 are included in Aegis' management's discussion and analysis for the quarter ended June 25, 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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