

# **Aegis Brands Inc.**

## **Management's Discussion and Analysis**

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### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking statements within the meaning of applicable securities legislation. The terms the "Company", "we", "us", or "our", or "Aegis Brands" refer to Aegis Brands Inc. Forward-looking statements include words such as "may", "will", "should", "expect", "anticipate", "believe", "plan", "intend" and other similar words. These statements reflect current expectations regarding future events and financial performance and speak only as of the date of this MD&A. The MD&A should not be read as a guarantee of future performance or results and will not necessarily be an accurate indication of whether or not those results will be achieved. Forward-looking statements are based on a number of assumptions and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control that may cause the Company's actual results, performance or achievements, or those of the Company's coffeehouses, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following are some of the factors that could cause actual results to differ materially from those expressed in the underlying forward-looking statements: competition; availability of premium quality coffee beans; the location of the Company's coffeehouses; the closure of store locations; loss of key personnel; compliance with government regulations; potential litigation; the ability to exploit and protect the Company's trademarks; changing consumer preferences and discretionary spending patterns including, but not restricted to, the impact of weather and economic conditions on such patterns and the impact of the ongoing COVID-19 pandemic on consumer buying and spending trends and on the business environment; and the financial performance and financial condition of the Company. The foregoing list of factors is not exhaustive, and investors should refer to the risks described under "Risks and Uncertainties" below and in the Company's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements and, as a result, the forward-looking statements may prove to be incorrect.

As these forward-looking statements are made as of the date of this MD&A, the Company does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in the Company's filings with securities regulators. These filings are also available on the Company's website at [www.aegisbrands.ca](http://www.aegisbrands.ca).

### **INTRODUCTION**

The following MD&A has been prepared as of November 5, 2021 and is intended to assist in understanding the financial performance and financial condition of Aegis Brands Inc. ("Aegis Brands" or the "Company") for the 13 weeks (the "Quarter") and 39 weeks ended September 25, 2021, should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements of the Company for the 13 weeks and 39 weeks ended September 25, 2021 and September 26, 2020 and the Audited Consolidated Financial Statements of the Company for the 52 weeks ended December 26, 2020, and the Annual Information Form, which are available at [www.sedar.com](http://www.sedar.com). Past performance may not be indicative of future performance. All amounts are presented in thousands of Canadian dollars, except number of coffeehouses or stores, per share amounts or unless otherwise indicated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company also reports certain non-IFRS measures such as system sales of coffeehouses, Same coffeehouse sales, operating income (loss), EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share that are discussed in the "Definitions and Discussion of Certain non-IFRS Financial Measures" in this MD&A.

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### **CORE BUSINESS, STRATEGIC IMPERATIVES, AND KEY PERFORMANCE DRIVERS**

#### ***Core Business***

Aegis Brands Inc. (the "Company" or "Aegis Brands") currently owns and operates the Bridgehead Coffee brand. Bridgehead Coffee is operated by the Company's wholly-owned subsidiary Bridgehead (2000) Inc. ("Bridgehead"). The Company owns the trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of this brand in Canada.

In September 2020, following the shareholders' approval, the Company officially changed its name from "The Second Cup Ltd." to "Aegis Brands Inc.". The Corporation also filed articles of amendment for the change of name, a copy of which can be found at [www.sedar.com](http://www.sedar.com).

The Company is a Canadian public company incorporated under the Business Corporations Act (Ontario) in 2011. The Company's registered office is at 210 Shields Court, Markham, Ontario L3R 8V2. The Company's website is [www.aegisbrands.ca](http://www.aegisbrands.ca). The Company's common shares trade on the Toronto Stock Exchange under the new ticker symbol "AEG". Each existing certificate reflecting the Company's prior name The Second Cup Ltd. will continue to represent a valid certificate until such certificate is transferred, re-registered or otherwise exchanged.

The fiscal year is made up of 52 weeks or 53 weeks ending on the last Saturday of December. Fiscal year 2021 consists of 52 weeks.

#### ***Operating Brands***

As of September 25, 2021, the Company owned and operated one retail operating brand. Bridgehead has 21 Company-owned coffeehouses including its flagship roastery, all of which continue to operate under the Bridgehead brand.

#### ***Strategic Imperatives and Key Performance Drivers***

Aegis Brands was created with the vision of building a portfolio of brands that can grow and flourish by leveraging expertise developed over 40 years in the Canadian retail and foodservice industry. Aegis will continue to focus on its key strategies which include: the growth and expansion of its retail operating brands through retail and ancillary channels and the pursuit of strategic acquisitions in retail and foodservice.

On February 7, 2021, the Company entered into a definitive agreement to sell substantially all of the assets comprising Second Cup to an affiliate of Quebec-based Foodtastic Inc. ("Foodtastic"). The sale price was \$14 million in cash received on closing (subject to customary closing adjustments) plus a post-closing earn-out based on royalties earned from certain Second Cup coffeehouses opened following completion of the sale. The sale was approved by 99.62% of the votes cast by the Company's common shareholders at a special meeting of common shareholders on April 7, 2021 and was completed on April 23, 2021. On April 26, 2021 the Company announced that it had completed the sale of the Second Cup assets.

On July 12, 2021, the Company entered into a strategic transaction with Kiaro Holdings Corp. ("Kiaro"), a TSX-V-listed cannabis retailer and wholesale distributor, pursuant to which it has agreed to sell its Hemisphere subsidiary and operations in consideration for an equity stake in Kiaro. In consideration for 100% of Hemisphere's common shares, Kiaro will issue 61,300,000 common shares to Aegis, plus 6,700,000 Kiaro common share purchase warrants at a strike price of \$0.16 with an expiry of September 24, 2024. Kiaro is to issue an additional 6,700,000 shares to Aegis upon the achievement of certain commercial milestones during the first year following closing, which is expected to take place in Q4 2021. On September 24, 2021 the Company announced that it had completed the transaction with Kiaro.

In accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the Company has classified this disposal group of assets as held for sale on the comparative condensed interim consolidated statement of financial position and has presented the after-tax loss from discontinued operations as a single

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amount in the condensed interim consolidated statement of operations and comprehensive loss.

### **HIGHLIGHTS OF SIGNIFICANT EVENTS**

#### ***Statement on COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, ("COVID-19"), a global pandemic. Since then, the outbreak has spread on a global scale, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The case count continues to be a cause of concern, along with the additional questions and uncertainty as a result of the emergence of the COVID-19 variants. Due to these reasons, government and business enforced restrictions continue to be in effect to varying degrees across parts of Canada.

Since the declaration of the pandemic, a majority of the Company-operated and franchise locations continued to be negatively impacted by the decline in consumer foot traffic especially notable in downtown city areas, scaled down nature of store operations due to closure of dining space for periods of time, and the general shift in consumer spending patterns in the retail industry. As of September 25, 2021, three out of 21 Bridgehead coffeehouses remain temporarily suspended for business operations.

The temporary and permanent store closures, and restricted store operations as a result of the circumstances described above, has significantly reduced sales and impacted the Company's cash flows. In an effort to mitigate the risks associated with the pandemic and in response to the reduction of sales, the Company actively reduced its operating costs by halting discretionary capital expenditures and significantly lowering its staff compensation costs through measures including: the temporary and permanent layoffs of staff, temporary pay reduction for employees at the corporate office, and the temporary suspension of compensation for the Company's Board members.

The Company continued to evaluate all available, applicable government relief programs, including the Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) program, which are financial relief measures initiated by the Government of Canada in response to the economic impacts of the COVID-19 pandemic. The Company determined that it was eligible to qualify for the above relief financial programs.

For the 13-week and 39-week periods ended September 25, 2021, the Company applied for \$253,000 and \$2,007,000 of wage subsidies in connection with the CEWS financial relief program. Of the \$2,007,000, \$1,363,000 was claimed by Bridgehead with \$72,000 included in trade and other receivables and \$644,000 was claimed by Second Cup. The Company has recorded the wage subsidy as a reduction to the eligible remuneration expense incurred by the Company for this period.

For the 13-week and 39-week periods ended September 25, 2021, the Company applied for \$126,000 and \$1,176,000 of rent subsidies in connection with the CERS financial relief program. Of the \$1,176,000, \$999,000 was claimed by Bridgehead with \$16,000 included in receivables and \$177,000 was claimed by Second Cup. The Company has recorded the rent subsidy as a reduction to the eligible rent expense incurred by the Company for this period.

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### ***Acquisition of Bridgehead***

On January 9, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Bridgehead (2000) Inc., which is based in Ottawa. The base purchase price consisted of cash consideration of \$6.0 million, stock consideration of \$3.3 million, which represented 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. No earn out payments have been made or are expected to be made.

Since the acquisition, Bridgehead operations were almost immediately negatively impacted by the effects of the COVID-19 global pandemic and almost two years later, the operations continue to try to work their way back. Bridgehead was only able to survive the pandemic because of the rent and wage subsidies provided to eligible businesses by the government of Canada. In the fourth quarter of 2020, an impairment charge of \$3 million was recorded against the Bridgehead assets. The brand's 2020 profitability was far below the threshold for the potential earn out payment for that year and as a result, that portion of the potential earn out was reversed. It is management's assessment that again no earn out will be paid since the profitability of Bridgehead, before government subsidies, is likely to be far below the level required for the earn out to be paid. This calculation will be finalized with the year end results and the expected reversal of the earn out payable will be booked at that time.

### ***Discontinued Operations***

As discussed above in "*Strategic Imperatives and Key Performance Drivers*", the Company entered into a definitive agreement to sell substantially all of the assets comprising Second Cup to an affiliate of Quebec-based Foodtastic Inc. and entered into a strategic transaction with Kiaro Holdings Corp. ("Kiaro"), a TSX-V-listed cannabis retailer and wholesale distributor, pursuant to which it has agreed to sell its Hemisphere subsidiary and operations in consideration for an equity stake in Kiaro.

In accordance with International Financial Reporting Standards ("IFRS") Non-Current Assets Held for Sale and Discontinued Operations, the Company has classified this disposal group of assets as held for sale on the comparative condensed interim consolidated statement of financial position and has presented the after-tax loss from discontinued operations as a single amount in the condensed interim consolidated statement of operations and comprehensive loss.

## **CAPABILITIES**

This section documents factors that affect the Company's capabilities to execute strategies, manage key performance drivers and deliver results. This section is qualified by the section "Caution Regarding Forward-Looking Statements" at the beginning of this MD&A.

### **The Bridgehead Brand**

The brand - Bridgehead® – reflects a commitment to deliver original and premium Fairtrade coffee brands, with 100% of its coffee certified Fairtrade and 100% of its coffee made from organic certified green coffee. A proud Canadian company, Bridgehead has 21 company-owned coffeehouses in Ottawa, including its flagship roastery, all of which continue to operate under the Bridgehead name.

All Bridgehead coffeehouses serve baked goods and fresh foods made daily in the company's kitchen and bakery, using local and seasonal ingredients.

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### ***The Bridgehead Brand – People***

There are a total of 185 team members who continue to work for the Bridgehead brand. Team members range from baristas, managers to support personnel employed at the Company's head office.

### ***The Bridgehead Brand - Products***

Bridgehead takes pride in leveraging its experience and knowledge of the coffee business to serve fresh and locally roasted coffee, prepared to the industry's highest technical standards, including the preparation of espresso to the technical standards of the World Barista Championship.

Bridgehead operates its own scratch bakery and sources fresh ingredients from over fifteen different local farmers and suppliers to make delicious foods and products for its customers.

### **Liquidity, capital resources and management of capital**

On July 3, 2019, in accordance with the terms of the employment agreement with the Company's new President and CEO, the Company issued Mr. Steven Pelton 515,241 common shares in the capital of the Company at \$1.70 per share. Mr. Pelton paid \$200,000 in cash for 117,647 shares and 397,594 shares were paid with the proceeds of two loans advanced to Mr. Pelton by the Company – a five-year loan of \$500,000 repayable in June 2024 and a one-year loan of \$176,000 repayable in June 2020, both loans accruing interest at 4.0% per annum. The loan of \$176,000 plus accrued interest was repaid by Mr. Pelton on June 30, 2020 in accordance with the terms of the employment and loan agreement.

On January 9, 2020, the Company paid cash consideration of \$6.0 million, stock consideration of 2,521,069 shares of Aegis Brands Inc., plus potential earn-out payments of up to \$1.5 million as contingent consideration, to acquire 100% of the issued and outstanding shares of Ottawa-based Bridgehead (2000) Inc. ("Bridgehead").

On December 7, 2020, the Company entered into a loan agreement with CWB Franchise Finance ("CWB"), a division of the Canadian Western Bank Financial Group, consisting of a revolving credit facility ("credit facility") of \$4.0 million at the financing rate of Prime + 3.20%, to be secured by the assets of the Second Cup and Bridgehead businesses. This credit facility will be available for a period of 24 months until its maturity on December 7, 2022. The continuance of this credit facility will be reviewed on an annual basis. As a result of the sale of Second Cup and the associated reduction in security for the loan, the facility was reduced to \$2 million.

### **Competition**

The Canadian specialty coffee market is highly competitive and fragmented, with few barriers to entry. There are national, regional and local coffee retailers who are specialty coffee providers or quick serve restaurants with broad menus.

### **Technology**

The Company relies heavily on information technology network infrastructure including point of sale system ("POS") hardware and software in coffeehouses, gift and loyalty card transactions, and Aegis Central financial and administrative functions. The ability to manage operations effectively and efficiently depends on the reliability and capacity of these technology systems, most of which are administered by third party suppliers. During the year, the Company upgraded its point of purchase or retail POS systems sourced from a new third-party supplier to equip its retail Bridgehead coffeehouses with state-of-the-art retail POS infrastructure at its locations.

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### **SEGMENTED INFORMATION AND REPORTING**

The Company's retail brands operate as independent brands. Financial results and business performance indicators are provided to the Chief Executive Officer for each brand, and hence each brand represents its own reportable segment. The financial results of the brands are reported on a consolidated basis on these financial statements, with Second Cup and Hemisphere presented as discontinued operations.

The Company's consolidated operating revenues, including discontinued operations, comprise royalties from franchised cafés (Second Cup only), the sale of goods from Company-operated coffeehouses and retail cannabis dispensaries, the sale of goods through retail and other ancillary channels, and other service fees.

Management is organized based on the Company's operating brands rather than the specific revenue streams.

# Aegis Brands Inc.

## Management's Discussion and Analysis

### CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD 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 Unaudited Condensed Interim Financial Statements of the Company for the 13 weeks and 39 weeks ended September 25, 2021 and September 26, 2020.

(In thousands of Canadian dollars, except for number of coffeehouses, per share amounts, and number of common shares.)	13 weeks ended		39 weeks ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
System sales <sup>1</sup>	\$ 2,428	\$ 1,966	\$ 5,993	\$ 5,003
Same store sales <sup>2</sup>	2,339	1,966	5,827	4,975
Number of coffeehouses - end of period	21	20	21	20
Total revenue	2,864	2,287	7,480	6,756
Operating costs and expenses	4,674	3,295	10,376	12,598
Operating loss <sup>1</sup>	(1,810)	(1,008)	(2,896)	(5,842)
EBITDA <sup>1</sup>	(1,111)	(395)	(868)	(3,755)
Net loss	(1,810)	(1,052)	(2,784)	(5,500)
Basic and diluted loss per share as reported	\$ (0.08)	\$ (0.05)	\$ (0.12)	\$ (0.24)
Total assets - end of period	24,401	26,939	24,401	26,939
Number of weighted-average common shares issued and outstanding	23,198,807	22,916,028	23,009,940	22,814,446

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

<sup>2</sup>Same coffeehouse sales represent the percentage change, on average, in sales at coffeehouses operating system-wide that have been open for more than 12 months. This metric is limited to the Bridgehead brand.

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### CONSOLIDATED HIGHLIGHTS: DISCONTINUED OPERATIONS OF SECOND CUP AND HEMISPHERE CANNABIS CO.

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the Unaudited Condensed Interim Financial Statements of the Company for the 13 weeks and 39 weeks ended September 25, 2021 and September 26, 2020.

(In thousands of Canadian dollars, number of cafés/locations, per share amounts, and number of common shares.)	13 weeks ended		39 weeks ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
System sales <sup>1</sup>	\$ 1,879	\$ 16,792	\$ 21,602	\$ 55,553
Number of cafés/locations - end of period	6	234	6	234
Total revenue	1,879	3,958	6,440	11,818
Operating costs and expenses	2,192	3,481	10,359	11,313
Operating income (loss) <sup>1</sup>	(313)	477	(3,919)	505
EBITDA <sup>1</sup>	(5)	717	(2,418)	1,167
Net income (loss)	(313)	301	(3,919)	(79)

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

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## Management's Discussion and Analysis

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### OPERATIONAL REVIEW

#### *Seasonality of system sales of coffeehouses*

Due to the nature of the Retail Foodservice industry, and the Company's extensive experience in this industry, the Company expects there to be an associated seasonality to its sales, specifically the notion that the last fiscal quarter will generate higher revenue than other quarters due to the holiday and festive season. In fiscal 2020, consumer spending patterns experienced disruption due to the ongoing impacts of the pandemic. The expected trend of recovery from the COVID-19 pandemic is reflected in the table below which shows there have been sales increases in two consecutive quarters.

The below table shows the percentage of annual system sales generated from Company-owned Bridgehead coffeehouses.

% of Annual system sales of coffeehouses	<b>2020/2021</b>
Fourth Quarter 2020	26.4
First Quarter 2021	22.0
Second Quarter 2021	23.5
Third Quarter 2021	28.1
	100.0

#### *Coffeehouses/Location network*

	<b>13 weeks ended September 25, 2021</b>	<b>13 weeks ended September 26, 2020</b>
Number of coffeehouses/locations	20	234
Acquired during the period <sup>1</sup>	-	19
Coffeehouses opened	1	-
Locations reclassified to discontinued operations <sup>2</sup>	-	(234)
	21	19

The Company ended the quarter with 21 (September 26, 2020 – 19) Company-owned coffeehouses.

<sup>1</sup>The Company acquired Bridgehead on January 9, 2020. The 21 Company-owned coffeehouses under the Bridgehead brand currently are included above.

<sup>2</sup>Second Cup and Hemisphere locations are presented as discontinued operations due to the sale of these business segments.

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### **Management's Discussion and Analysis**

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

##### ***System sales of coffeehouses and revenue***

System sales of coffeehouses for the 13 weeks ended September 25, 2021 were \$2,428,000 compared to \$1,966,000 in the prior year, representing an increase of \$462,000 or 23.5%. The recovery of coffeehouse sales of Bridgehead is due to an improving environment where COVID-19 restrictions are continuing to ease and foot traffic is increasing. Bridgehead also opened two new coffeehouses, one in November 2020 and one in late August 2021, adding to the overall system sales increase over the same quarter in 2020.

##### ***Same coffeehouse sales***

During the quarter, same coffeehouse sales at Bridgehead locations increased 19% over 2020, as COVID-19 restrictions were further eased and foot traffic increased.

##### ***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. Total operating costs and expenses for the quarter totaled \$4,674,000 (2020 - \$3,295,000) an increase of \$1,379,000. The majority of this increase is attributable to the general and administrative costs increase in Aegis in the third quarter as discussed below.

Company-owned stores and product related expenses for the Quarter were \$1,068,000 (2020 - \$1,029,000). For the quarter, Bridgehead was eligible to apply for \$253,000 and \$126,000 in subsidies provided by the CEWS and CERS government programs, respectively.

General and administrative expenses were \$2,907,000 (2020 - \$1,653,000) for the quarter, of which \$1,300,000 is attributable to Bridgehead and \$1,607,000 is attributable to Aegis. The increase is primarily due to professional fees, severance, and shares issued to the Board and certain employees who forewent compensation for a large part of the prior year. In the prior year, temporary pay reductions began in the second quarter, resulting in reduced salaries and wage expenses in the third quarter.

Depreciation and amortization expense was \$593,000 (2020 - \$505,000). Total amortization of right-of-use assets was \$362,000 and depreciation on property and equipment was \$231,000.

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#### ***EBITDA***

EBITDA for the quarter from continuing operations was a loss of \$1,111,000 compared with a loss of \$395,000 last year.

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

The Company reported net interest and financing costs of \$106,000 from continuing operations. 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 and interest expense on the CWB facility that was outstanding for part of the quarter.

#### ***Net loss***

The Company reported a net loss from continuing operations for the quarter of \$1,810,000 or \$0.08 per share compared with a loss of \$1,052,000 or \$0.05 per share last year. The company reported total comprehensive income of \$2,096,000, or \$0.09 per share, compared with a loss of \$751,000 or \$0.03 per share.

Reconciliations of net income (loss) to EBITDA and net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

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#### **Year-to-date – Aegis Brands Inc.**

##### ***System sales of coffeehouses and Revenue***

System sales of coffeehouses for the 39 weeks ended September 25, 2021 were \$5,993,000 compared to \$5,003,000 in the prior year, representing an increase of \$990,000 or 19.8%. Sales continue to improve as government restrictions continue to ease and foot traffic is increasing. In addition, one of Bridgehead's new coffeehouses which opened in November 2020 added to system sales for all of the 2021 period versus none of the 2020 period.

##### ***Same coffeehouse sales***

Same coffeehouse sales at Bridgehead locations increased by 17.1% overall year-to-date, consistent with the quarter over quarter improvements in same coffeehouse sales.

##### ***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. Total operating costs and expenses totaled \$10,376,000 compared to \$12,598,000 in the prior year, a decrease of \$2,222,000. Operating costs were partially reduced by government subsidy programs as well as management's ability to better control coffeehouse expenses as compared to the beginning of the pandemic last year.

Company-owned stores and product related expenses were \$2,768,000 (2020 - \$3,678,000). Year-to-date, Bridgehead applied for \$1,363,000 and \$999,000 in subsidies provided by the CEWS and CERS government programs, respectively.

General and administrative expenses were \$5,553,000 (2020 - \$6,469,000) year-to-date. The decrease is primarily due to restructuring fees and severance charged in the prior year.

Depreciation and amortization expense was \$1,698,000 (2020 - \$1,765,000). Total amortization of right-of-use assets was \$1,083,000 and depreciation on property and equipment was \$615,000.

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#### ***EBITDA***

EBITDA loss from continuing operations was \$868,000 compared with a loss of \$3,755,000 last year. Adjusted for asset impairment charges of \$364,000 last year (2021 - \$nil), EBITDA loss for last year was \$3,391,000.

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

The Company reported net interest and financing costs of \$330,000 from continuing operations. 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 and interest expense on the CWB facility that was outstanding for most of the period.

#### ***Net loss***

The Company reported a net loss from continuing operations year-to-date of \$2,784,000 or \$0.12 per share compared with \$5,500,000 or \$0.24 per share last year. The company reported a total comprehensive loss of \$5,783,000, or \$0.25 per share, compared to \$5,579,000, or \$0.24 per share.

Reconciliations of net income (loss) to EBITDA and net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

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#### LIQUIDITY AND CAPITAL RESOURCES

The Company primarily generates revenue from the sale of products at its Company-owned coffeehouses as well as ancillary channels, including grocery, wholesale and ecommerce. For a more detailed discussion of the risks and uncertainties affecting the Company's liquidity, see the general risks outlined below and the "Capabilities" section above.

(\$000's)	39 weeks ended	
	September 25, 2021	September 26, 2020
Cash provided by (used in) operating activities - continuing operations	\$ (4,287)	\$ (309)
Cash provided by (used in) operating activities - discontinued operations	(1,936)	(1,591)
Cash provided by (used in) operating activities	<u>(6,223)</u>	<u>(1,900)</u>
Cash provided by (used in) investing activities - continuing operations	11,872	(144)
Cash provided by (used in) investing activities - discontinued operations	(1,035)	(1,426)
Cash provided by (used in) investing activities	<u>10,837</u>	<u>(1,570)</u>
Cash provided by (used in) financing activities - continuing operations	(1,151)	(6,802)
Cash provided by (used in) financing activities - discontinued operations	(1,412)	(873)
Cash provided by (used in) financing activities	<u>(2,563)</u>	<u>(7,675)</u>
Net increase (decrease) in cash and cash equivalents during the period	<u>\$ 2,051</u>	<u>\$ (11,145)</u>

#### *Summary of cash flows*

The Company used \$6,223,000 cash in its operating activities - \$4,287,000 in the Company's Bridgehead and Aegis Corporate, while Second Cup and Hemisphere, classified as discontinued operations, used cash of \$1,936,000. The majority of this is due to the payments of payables and accrued liabilities.

Cash generated from investing activities was \$10,837,000 for the year-to-date. In the second quarter, the Company received net proceeds of \$11,776,000 from the closing on the sale of Second Cup. These proceeds were offset by capital expenditures for Second Cup cafes prior to the sale of the Second Cup assets and the buildout of Hemisphere stores prior to the sale of that Company to Kiara.

Cash used in financing activities was \$2,563,000 for the year-to-date comprised of repayments of related party promissory notes, repayment of the CWB loan facility, and lease payments.

# Aegis Brands Inc.

## Management's Discussion and Analysis

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### *Working capital as at*

	September 25, 2021	December 26, 2020
(\$000's)		
Current assets	\$ 5,144	\$ 80,750
Current liabilities	<u>5,981</u>	<u>74,084</u>
Working capital	<u>\$ (837)</u>	<u>\$ 6,666</u>

The Company's net working capital deficiency is \$837,000 as at September 25, 2021 compared to a working capital balance of \$6,666,000 at December 26, 2020.

The Company has unrestricted cash and cash equivalents of \$3,120,000 as at September 25, 2021 (December 27, 2020 - \$1,069,000).

### *Financial instruments*

The following summarizes the nature of certain risks applicable to the Company's financial instruments:

<b>Financial instrument</b>	<b>Risks</b>
<i>Financial assets</i>	
Cash and cash equivalents	Credit and interest rate
Restricted cash	Credit and interest rate
Trade and other receivables	Credit and interest rate
Notes and leases receivable	Credit and interest rate
Investments in Equity Securities	Credit, liquidity and interest rate
Warrants	Credit, liquidity and interest rate
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	Liquidity, currency and commodity
Contingent consideration	Liquidity
Short term debt	Liquidity
Lease liabilities	Liquidity

### *Fair value of financial instruments*

The carrying values of cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, provisions, other liabilities and gift card liability approximate their fair values due to their short-term maturity. The carrying value of notes and leases receivable approximates their fair value as the implicit interest used to discount the base value is considered to be based on an appropriate credit and risk rate pertaining to the debtor.

The fair value of warrants was determined using the Black-Scholes pricing model, which was valued based on Level 2 inputs. This valuation model requires five input variables: the exercise price of the warrants, the current price of the underlying stock, the time to expiration, the risk-free interest rate, and the stock's volatility.

# **Aegis Brands Inc.**

## **Management's Discussion and Analysis**

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Financial instruments that are measured subsequent to initial recognition at fair value are to be categorized in Levels 1 to 3 of the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

- Level 1 - inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not transferred any financial instruments between Levels 1, 2 or 3 of the fair value hierarchy during the 39 weeks ended September 25, 2021.

### ***Credit risk***

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligation.

#### **a. Cash and cash equivalents and restricted cash**

Credit risk associated with cash and cash equivalents and restricted cash is managed by ensuring these assets are placed with major financial institutions that have been assigned high credit ratings.

#### **b. Trade and other receivables, notes and leases receivable**

Trade and other receivables are primarily comprised of amounts due from regular corporate customers in the case of Bridgehead and the contingent shares receivable in the case of Aegis. Credit risk associated with the regular corporate customer receivables is monitored regularly as is assessed as low considering the high degree of past collection and positive customer relationships.

The Company has applied IFRS 9's simplified approach and has calculated ECLs based on lifetime expected credit losses. Consistent with the prior fiscal year, the Company has leveraged a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### ***Liquidity risk***

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Liquidity risk is managed through regular monitoring of forecast and actual cash flows, monitoring maturity dates of financial assets and liabilities, and also the management of the Company's capital structure and debt leverage. The Company's main source of income is corporate coffeehouses sales and other sale of goods and services.

On April 26, 2021 the Company announced that it completed the sale of the Second Cup assets on April 23, 2021. The proceeds from the transaction of \$14 million were subject to certain adjustments on closing, resulting in a net closing cash payment to Aegis of approximately \$12 million, plus potential future earn-out payments based on certain targets. The cash resulting from the closing of the sale of Second Cup has strengthened the Company's statement of financial position and its ability to meet its commitments and obligations.

On September 27, 2021, the Company announced that it completed the strategic transaction with Kiaro Holdings Corp. ("Kiaro"), a TSX-V-listed cannabis retailer and wholesale distributor, on September 24, 2021, pursuant to which it sold its Hemisphere subsidiary to Kiaro. In consideration for 100% of Hemisphere's common shares, Kiaro issued 61,300,000 common shares to Aegis, plus 6,700,000 Kiaro common share purchase warrants. Kiaro is to issue an additional 6,700,000 shares to Aegis upon the achievement of certain commercial milestones during the first year following closing, which is expected to take place early in Q4 2021. The Kiaro shares and warrants are liquid securities, further strengthening the Company's statement of financial

## **Aegis Brands Inc.**

### **Management's Discussion and Analysis**

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position and its ability to meet its commitments and obligations.

#### ***Market risk***

The Company is exposed to market risk through its investment in Kiaro shares as the fair value of the investment will fluctuate with changes in market prices. The carrying values of investments subject to equity price risk are based on quoted market prices as of the consolidated statements of financial position dates. Market prices are subject to fluctuation, and consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

#### ***Commodity and currency risk***

The Company purchases certain products, such as coffee, in U.S. dollars, thereby exposing the Company to risks associated with fluctuations in currency exchange rates. The Company is also directly and indirectly exposed to the commodity market risk. The exposure relates to the changes in coffee commodity prices given it is a material input for product offerings. The direct exposure pertaining to the wholesale business is mitigated given that the Company has the ability to adjust its sales price if commodity prices rise over a threshold level. This risk is mitigated by entering fixed price purchase commitments through coffee commodity brokers and by having the ability to adjust retail selling prices.

#### ***Obligations from Operating Leases***

With the adoption of IFRS 16, leases are now reported in the consolidated statement of financial position as lease liabilities along with the associated right-of-use assets and leases receivable.

#### ***Purchase Obligations***

Contracts are in place with third-party companies to purchase the coffee that is sold in coffeehouses. In terms of these supply agreements, there is a guaranteed minimum value of coffee purchases of \$557,861 (2020 - \$776,000) for the subsequent 12 months. The coffee purchase commitment is composed of two components: unapplied futures commitment contracts and fixed price physical contracts.

#### ***Other Obligations***

The Company is involved in litigation and other claims arising in the normal course of business. Judgment must be used to determine whether a claim has any merit, the amount of the claim and whether to record a provision, which is dependent on the potential success of the claim. It is believed that no significant losses or expenses will be incurred with such claims above provisions made. However, there can be no assurance that unforeseen circumstances will not result in significant costs. The outcome of these actions is not determinable at this time, and adjustments, if any, will be recorded in the period of settlement.

#### ***Related parties***

Related parties are identified as key management, members of the Board of Directors, and shareholders that exercise significant influence on the Company. Such related parties include any entities acting with or on behalf of the aforementioned parties.

# **Aegis Brands Inc.**

## **Management's Discussion and Analysis**

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### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") must acknowledge they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("ICFR") for the Company. The control framework used by the CEO and CFO to design the Company's ICFR is Internal Control over Financial Reporting - Guidance for Smaller Public Companies as issued by COSO. In addition, in respect of:

#### ***Disclosure controls and procedures***

The CEO and CFO must certify they have designed the disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required under securities legislation is recorded, processed, summarized and reported in a timely manner.

As at November 5, 2021, the Company's management, under the supervision of, and with the participation of, the CEO and CFO, evaluated the design of the disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that, as at September 25, 2021 the Company's disclosure controls and procedures were appropriately designed.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

During the 13 weeks ended September 25, 2021 and up to the date of the approval of the Unaudited Condensed Interim Financial Statements and MD&A, there has been no change that has materially affected, or is reasonably likely to materially affect the Company's disclosure controls and procedures.

#### ***Internal controls over financial reporting***

The CEO and CFO must certify they have designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Annual Financial Statements for external purposes in accordance with IFRS.

As at November 5, 2021, the Company's management, under the supervision of, and with the participation of, the CEO and CFO, evaluated the design of the controls over financial reporting. No material weaknesses in the design of these controls over financial reporting were identified. Based on this evaluation, the CEO and CFO have concluded that, as at September 25, 2021, the Company's controls over financial reporting were appropriately designed and were operating effectively.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

During the 13 weeks ended September 25, 2021 and up to the date of the approval of the Unaudited Condensed Interim Financial Statements and MD&A, there has been no change in the Company's internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

# Aegis Brands Inc.

## Management's Discussion and Analysis

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### CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions and use judgement in applying its accounting policies and in determining estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accounting estimates will, by definition, seldom equal the related actual results.

The following are examples of areas of critical estimates, assumptions and judgements the Company makes in determining the amounts reported in the consolidated financial statements:

- impairment charges and/or the determination of the recoverable amounts of tangible and intangible assets subject to depreciation, amortization, or with indefinite lives, including the Company's right-of-use assets, property, equipment, trademark and goodwill. Management has assessed the recoverable amounts after noting indicators of impairment as a direct result of the COVID-19 pandemic;
- the derivation of deferred income tax assets and liabilities;
- the estimated useful lives of assets;
- the allowance for credit losses;
- the fair value of intangible assets acquired in business combinations; and
- the ability of the Company to remain a going concern

#### *(i) Impairment charges*

Impairment analysis is an area involving management judgement in determining the recoverable amount of an asset. The recoverable amount of a cash generating unit ("CGU") is calculated as the higher of the fair value less costs of disposal, and its value in use. Value in use is determined by estimating the net present value of future cash flows derived from such assets using cash flow projections that have been discounted at an appropriate rate and based on a market participant's view. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including:

- growth in total revenue;
- change and timing of cash flows such as the increase or decrease of expenditures;
- selection of discount rates to reflect the risks involved;
- applying judgement in cash flows specific to CGUs; and
- estimating the impact of the COVID-19 pandemic on the future business operations of the Company, including the impact on the ability to grow revenue and cash flow.

Changing the assumptions selected by management, in particular the revenue projections, discount rates and the growth rates used in the cash flow projections, could significantly affect the impairment evaluations and recoverable amounts.

The Company's impairment tests include significant assumptions related to the scenarios discussed above.

#### *(ii) Deferred income taxes*

The timing of reversal of temporary differences and the expected income allocation to various tax jurisdictions within Canada affects the effective income tax rate used to compute the deferred income taxes. Management estimates the reversals and income allocations based on historical and budgeted operating results and income tax laws existing at the reporting dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

## **Aegis Brands Inc.**

### **Management's Discussion and Analysis**

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#### ***(iii) Estimated useful lives***

The useful lives of property and equipment are based on the period during which the assets are expected to be available-for-use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. It is possible that changes in these factors may cause significant changes in the amount of depreciation recorded in respect of the Company's property and equipment in the future.

#### ***(iv) Allowance for credit losses***

In accordance with IFRS 9, Financial Instruments ("IFRS 9"), the Company has recorded an allowance for forward-looking expected credit losses ("ECL") for all loans and other debt financial assets that are not held at fair value through profit and loss.

The Company notes that its cash equivalents and short-term investments are high-grade investments that are held with reputable financial institutions. As such, these assets are considered to be low credit risk investments.

For lease receivables, the Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### ***(v) Fair value of intangible assets acquired in a business combination***

Management applied significant judgement in estimating the fair value of the intangible asset. To estimate the fair value of the trademarks, management, with the assistance of external valuation experts, used the royalty relief method to value the trademarks using a discounted cash flow model. Management developed significant assumptions related to revenue projections and growth rates, royalty rate and the discount rate.

#### ***(vi) Changes in accounting policy***

During the year the Company adopted the COVID-19-related rent concessions amendments to IFRS 16. As a result, the Company has applied the optional practical expedient to elect to account for all eligible COVID-19 related rent concessions as if they were not lease modifications. The company has accounted for these lease concessions as variable lease payments.

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## **Management's Discussion and Analysis**

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### **CHANGES IN ACCOUNTING POLICIES**

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 26, 2020. The Company has classified Second Cup and Hemisphere as held for sale on the comparative condensed interim consolidated statement of financial position and presented this as discontinued operations as a single amount in the condensed interim consolidated statement of operations and comprehensive loss.

### **RISKS AND UNCERTAINTIES**

This section is qualified by the section "Caution Regarding Forward-Looking Statements" at the beginning of this MD&A.

The performance of Aegis Brands Inc. is primarily dependent on its ability to maintain and increase the sales of existing coffeehouses, add new profitable coffeehouses to the network, find new revenue channels, redevelop and modernize locations as their leases come due, and identify accretive acquisitions to add to the Aegis portfolio of brands. System sales of the coffeehouse network are affected by various external factors that can affect the specialty coffee industry as a whole. Potential risks include the following:

There is uncertainty on how long the ongoing COVID-19 pandemic will continue to restrict business operations and disrupt the way consumers shop and buy from retail stores. There is also uncertainty on how long the government and business enforced lockdown will continue, as well as how long it will take for Canadians to be vaccinated, and whether the vaccines will be effective against the pandemic and associated variants. There is risk that consumer spending habits as they relate to retail may not return, partially or in full, in the near future. All Bridgehead coffeehouses are located in Ottawa, with a significant portion of their locations in the downtown core, a city that is recovering much more slowly than most given the concentration of government offices.

The specialty coffee industry is characterized by intense competition with respect to price, location, coffee and food quality, and numerous factors affecting discretionary consumer spending. Competitors include national and regional chains, independent coffeehouses, all restaurants and food service outlets that serve coffee, and supermarkets that compete in the whole bean and roast and ground segments.

Growth of the coffeehouse network depends on Aegis Brands Inc.'s ability to secure and build desirable locations. There can be no assurance that current locations will continue to be attractive, or that additional coffeehouse sites can be located and secured as demographic and traffic patterns change. It is possible that the current locations or economic conditions where coffeehouses are located could decline in the future, resulting in reduced sales in those locations. There is no assurance that future sites will produce the same results as past sites.

The Canadian specialty coffee industry is also affected by changes in discretionary spending patterns, which are in turn dependent on consumer confidence, disposable consumer income and general economic conditions. Factors such as changes in general economic conditions, recessionary or inflationary trends, job security and unemployment, equity market levels, consumer credit availability and overall consumer confidence levels may affect their business. The specialty coffee industry is also affected by demographic trends, traffic and weather patterns, as well as competing coffeehouses.

Business could be adversely affected by increased concerns about food safety in general or other unusual events. On May 28, 2015, the government of Ontario enacted the Making Healthy Choices Act, 2015. The Act came into force on January 1, 2017. Restaurant chains and other food service providers with 20 or more locations operating under the same (or substantially the same) name in Ontario have made changes to the information they display on menus, menu boards and displays.

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The Company has investments in equity securities measured at fair value. The value of these securities is subject to market fluctuations.

The Company relies heavily on information technology (IT) network infrastructure. The ability to manage operations effectively and efficiently depends on the reliability and capacity of these IT systems, most of which are administered by third party suppliers. The Company relies on POS for system sales for both marketing trends and analyzing of key performance indicators. The coffeehouses rely on IT network infrastructure to order goods and process credit, debit and coffeehouses card transactions. Aegis Central financial and administrative functions rely on IT infrastructure for accurate and reliable information. The failure of these systems to operate effectively, or problems with upgrading or replacing systems, could cause a material negative financial result. The Company is continually reviewing its systems and procedures to minimize risk.

Reduced earnings could impact the company's ability to comply with its credit facility covenants.

The loss of key personnel and/or a shortage of experienced management and hourly employees could have an adverse impact on operations of coffeehouses.

A more detailed discussion of the risks and uncertainties is set out in the Company's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

#### ***Risks Related to COVID-19***

The COVID-19 pandemic continues to significantly impact global economic activity, including consumer spending patterns at restaurants and retail locations. Further, due to governmental measures and public health recommendations including those relating to physical distancing, public meeting places, including restaurants and other hospitality-related venues, the Company could experience a significant near and potentially long-term decline in customer visits.

The Canadian specialty coffee industry is also affected by changes in discretionary spending patterns, which are in turn dependent on consumer confidence, disposable consumer income and general economic conditions. In the event that the Company is unable to continue to mitigate the impacts of the COVID-19 outbreak on operations, the Company may be unable to fulfill product delivery obligations to customers, costs may increase, and revenue and margins could decrease. It is unknown whether and how the Company may be affected if such an epidemic continues to persist for an extended period of time. A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for business. The Company may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on business, operating results and the overall financial condition.

The Company may also experience temporary shortages of supplies or staff to the extent its work force is impacted and may also continue to experience location closures for undefined periods of time.

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### **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 coffeehouses, Same coffeehouse 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 coffeehouses***

System sales of coffeehouses comprise the Gross Revenue from Company-operated coffeehouses.

#### ***Same coffeehouse sales***

Same coffeehouse sales represents the percentage change, on average, in retail sales at coffeehouses 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 coffeehouses).

#### ***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.

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Reconciliations of net loss to operating loss and EBITDA for both continuing and discontinued operations, is provided below (in \$000's):

	13 weeks ended		39 weeks ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
<b>Continuing Operations:</b>				
Net loss	\$ (1,810)	\$ (1,052)	\$ (2,784)	\$ (5,500)
Add (deduct):				
Income tax (recovery)	-	44	(112)	(342)
Interest and financing loss	106	108	330	322
Operating loss	<u>\$ (1,704)</u>	<u>\$ (900)</u>	<u>\$ (2,566)</u>	<u>\$ (5,520)</u>
Net loss	\$ (1,810)	\$ (1,052)	\$ (2,784)	\$ (5,500)
Add (deduct):				
Income tax (recovery)	-	44	(112)	(342)
Interest and financing loss	106	108	330	322
Depreciation of property and equipment	231	261	615	748
Amortization of right-of-use assets	362	244	1,083	1,017
EBITDA	<u>\$ (1,111)</u>	<u>\$ (395)</u>	<u>\$ (868)</u>	<u>\$ (3,755)</u>
<b>Discontinued Operations:</b>				
Net income (loss)	\$ 4,982	\$ 301	\$ (1,923)	\$ (79)
Add (deduct):				
Other (income) loss	(5,295)	-	1,996	-
Interest and financing loss	3	176	150	584
Operating income (loss)	<u>\$ (310)</u>	<u>\$ 477</u>	<u>\$ 223</u>	<u>\$ 505</u>
Net income (loss)	\$ 4,982	\$ 301	\$ (1,923)	\$ (79)
Add (deduct):				
Interest and financing loss	3	176	150	584
Depreciation of property and equipment	108	240	204	662
Amortization of right-of-use assets	196	-	549	-
EBITDA	<u>\$ 5,289</u>	<u>\$ 717</u>	<u>\$ (1,020)</u>	<u>\$ 1,167</u>