

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Issuer**

Aegis Brands Inc. (the “**Company**” or “**Aegis**”)  
210 Shields Court  
Markham, Ontario  
L3R 8V2

**Item 2 Date of Material Change**

September 29, 2022

**Item 3 News Release**

The news release describing the material change referred to herein was issued by the Company and released on September 29, 2022, disseminated through the facilities of a recognized newswire service and filed on SEDAR.

**Item 4 Summary of Material Change**

On September 29, 2022, Aegis announced that a definitive agreement (the “**Definitive Agreement**”) had been entered into to acquire St. Louis Bar & Grill ® (“**St. Louis**”) for total consideration of \$50 million (the “**Purchase Price**”), subject to certain closing adjustments (the “**Transaction**”). The Purchase Price will be satisfied entirely with cash. Pursuant to the Transaction, Aegis will acquire, indirectly, substantially all of the assets and intellectual property of “St. Louis Bar & Grill”® brand and trademark.

Aegis also announced that the Purchase Price will be funded through a draw of \$30 million under the Company’s existing senior facility with CWB Financial Group and through a “best efforts” private placement of subscription receipts for gross proceeds of \$25 million (or \$28.8 million upon the exercise in full of a 15% over-allotment option) with Echelon Capital Markets (“**Echelon**”) acting as co-lead agent and sole bookrunner, and Canaccord Genuity Corp. acting as co-lead agent (and together with Echelon, the “**Agents**”) (the “**Offering**”).

**Item 5 Full Description of Material Change**

***Description of Transaction***

On September 29, 2022, Aegis announced that the Definitive Agreement had been entered into to acquire St. Louis for the Purchase Price. The Purchase Price will be satisfied entirely with cash. Pursuant to the Transaction, Aegis will acquire, indirectly, substantially all of the assets and intellectual property of “St. Louis Bar & Grill”® brand and trademark.

St. Louis is a Toronto-based franchised casual dining bar & grill company, operating in 72 locations across 4 provinces. Founded in Toronto in 1992, St. Louis is recognized

for its signature wings, ribs, and garlic dill sauce. St. Louis' neighbourhood restaurants offer exceptionally friendly service in a fun, casual sports bar & grill setting.

St. Louis' 2023 projected earnings before interest, tax, depreciation and amortization (“**EBITDA**”) of \$7.6 million implies a 6.6x EBITDA multiple. The Purchase Price and the related transaction expenses will be funded through a draw of \$30 million under the Company's existing senior facility with CWB Financial Group and the balance will be financed through the Offering.

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

- St. Louis Represents a Strong, Established, and Stable Brand in the Canadian Casual Dining Space
  - St. Louis brand was established in 1992 and strong brand recognition has been built over 30 years
  - Compelling customer proposition: fun, energizing, casual atmosphere perfect for a night out with friends and sophisticated enough to host corporate events
  - Diversified footprint, with 72 franchised locations operating across 4 provinces
  - St. Louis has demonstrated a strong degree of operational resilience; throughout the course of the pandemic, 4 net new stores were opened
- Durable, Agile, and Forward-thinking Business
  - Operations possess robust unit economics for franchisees, generating +21% cash-on-cash returns and ~20% 4-wall EBITDA margins (before royalty, management fees and advertising funds payments)
  - Access to dedicated business intelligence team to analyze demographic segmentation, conduct market area analysis, and determine traffic / competition access
  - Well-developed off-premises business, with proprietary St. Louis mobile app in use across a wide user base
- Robust Combined Financial Profile
  - Run rate same-store-sales since pandemic restrictions lifted +1% to 2019 levels, and +38% over 2021
  - Highly visible pipeline for expansion, with +50% new store growth projected over the next 3-years

- Strong profitability and cash flow profiles, touting ~48% corporate-level EBITDA margins (2023E) and expected approximately \$5.0 million of free cash flow (2023E)
- Continued Management and Board, Supported by Management with Complementary Expertise
  - Aegis' current Board and management, having extensive experience across M&A and multi-national franchise businesses will continue to advise and support Aegis with the growth of the St. Louis and Bridgehead brands
  - St. Louis' management team (other than Brent Poulton and Barry Poulton), with a track-record of success and experience in a wide variety of restaurant formats will join Aegis, expanding the depth and breadth of Aegis' expertise

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

### ***Description of Offering***

In connection with the Transaction, Aegis engaged the Agents to conduct a “best efforts” private placement offering of subscription receipts, which closed September 29, 2022, for gross proceeds of \$28.4 million, representing \$3.4 million of subscription receipts convertible into common shares (“**Common Shares**”) of the Company (“**Common Share Subscription Receipts**”) and \$25.0 million of subscription receipts convertible into \$1,000 principal amount of unsecured convertible debentures (“**Convertible Debentures**”) of the Company (“**Debenture Subscription Receipts**”).

The Offering consisted of: (i) up to \$3 million or 9,259,259 Common Share Subscription Receipts at a price of \$0.324 per Common Share Subscription Receipt and (ii) up to \$22 million in principal amount of (or 22,000) Debenture Subscription Receipts at a price of \$1,000 per Debenture Subscription Receipt, for total gross proceeds of a total of \$25 million, subject to a 15% allotment granted to the Agents on each of the Common Share Subscription Receipt and Debenture Subscription Receipt private placements (the “**Over-Allotment Option**”), for total maximum aggregate proceeds of \$28.8 million.

Each Common Share Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, including the completion of the Transaction, and without payment of additional consideration or further action, one Common Share.

Each Debenture Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, one \$1,000 principal amount of Convertible Debentures. The Convertible Debentures shall bear interest of 11% per annum and shall have a maturity date of sixty (60) months from the closing of the Offering (the “**Maturity Date**”). The Convertible Debentures will be convertible at the holder's option into Common Shares at any time prior to the close of business on the Maturity Date at a conversion price of \$0.485. The Company will use the aggregate net proceeds from the Offering to fund a portion of the Purchase Price, transaction related expenses and general corporate purposes.

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

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

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

Certain directors, officers and holders of more than 10% of the issued and outstanding Common Shares of Aegis (“**Participating Insiders**”) together with certain associates and affiliates of Participating Insiders have acquired an aggregate of \$2.4 million of Common Shares Subscription Receipts and Debenture Subscription Receipts under the Offering, representing approximately 9.6% of the Common Shares (assuming full exercise of the Over-allotment Option) to be issued under the Offering and 8.2% (assuming full exercise of the Over-allotment Option) of the Convertible Debentures to be issued under the Offering.

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

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

### ***Senior Facility***

The Purchase Price will be partially funded through Aegis’ existing development line of credit with Canadian Western Bank Franchise Finance (the “**Senior Facility**”) for an aggregate gross amount of \$30 million. The Senior Facility has a term of 59 months and is secured by first ranking security interest on all assets and subsidiaries of Aegis. The Senior Facility will bear an interest rate of prime plus an applicable margin of 2.75% (8.20% effective rate) and will amortize over a ten (10) year period.

### ***Transaction Structure***

The Transaction will be completed through Aegis’ wholly-owned subsidiary, SLF Operations Limited Partnership which has entered into a Definitive Agreement with St.

Louis. The Transaction, which has been approved by the boards of directors of Aegis and St. Louis, is subject to the receipt of all required approvals, as applicable, all as outlined in the Definitive Agreement (a copy of which has been filed to SEDAR under Aegis' profile at [www.sedar.com](http://www.sedar.com)).

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

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

The Special Meeting will be held on November 17, 2022. A notice of meeting and record date has been filed to SEDAR. A management information circular is anticipated to be delivered to Shareholders in mid-October.

**Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

No information has been omitted from this report on the basis that it is confidential information.

**Item 8 Executive Officer**

For further information, please contact:

Melinda Lee  
Aegis Brands Inc.  
437-747-1170

**Item 9 Date of Report**

October 7, 2022

## **Forward Looking Statements**

*Certain information contained in this material change report 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 material change report, 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](http://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 material change report 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.*