

Aegis Returns to Profitability in the Third Quarter

TORONTO, Oct. 30, 2023 /CNW/ - Today Aegis Brands Inc. (TSX: AEG) ("Aegis") reported financial results for the third quarter ended September 24, 2023.

Highlights

- Aegis generated net income of \$467,000 for the quarter or \$0.01 per share compared to a net loss of \$2,403,000 or \$0.10 per share last year. Net loss year to date was \$654,000 or \$0.01 per share compared to a net loss of \$6,874,000 or \$0.30 per share.
- Aegis' EBITDA for the quarter was \$1,845,000 compared to an EBITDA loss of \$2,132,000 one year ago.
- Aegis' EBITDA was \$3,826,000 year to date compared to an EBITDA loss of \$6,066,000 last year.
- The [St. LouisBar & Grill](#) ("St. Louis") brand provided encouraging results with net income of \$1,683,000 for the quarter and \$3,938,000 year to date.
- St. Louis' same store sales (SSS) increased 2.4% in the quarter and 7.4% year to date.
- Same store sales at [Bridgehead](#) increased 17.4% for the third quarter and 25.6% for the year.

"We are turning a corner at Aegis, as our investments in longer-term growth begin to return results and we report our first quarter of income from operations since 2018. We have the plans, the commitment, the expertise, and the partners to build on this momentum," said Steven Pelton, President and CEO of Aegis.

St. Louis

St. Louis generated revenue in the third quarter of \$4,285,000 and \$12,619,000 year to date. System sales increased by 5.9% to \$32,734,000 and 9.9% to \$92,412,000 in the quarter and year to date respectively.

St. Louis continues to evolve the menu to improve franchisee and corporate profitability. Additional promotions like the upcoming "Ribsanity" event are also designed to increase traffic and deliver an increase to the top and bottom lines. "Ribsanity is returning for the first time in four years. Our goal is to create new St. Louis rib enthusiasts just as we have done with our wings over the past 30 years." said Pelton.

St. Louis partnered with [Sweet Jesus](#) ice cream and launched a test at five locations. To date, the test has increased dessert sales in those stores substantially, without adding material capital investment. Due to the early success, St. Louis will be expanding the Sweet Jesus test to an additional ten locations.

In the third quarter, St. Louis entered into an agreement with [Sports Interaction](#), an online sports betting company. This partnership creates a new revenue stream while creating an even more exciting atmosphere within our locations while the big games are on. "We want St. Louis to be the best place to enjoy sports with friends. We know many sports fans are betting on games since the new legislation came into Ontario. With this partnership, we aim to be the preferred restaurant to catch the game when you have a few bucks riding on it," said Pelton. Ontario St. Louis guests gained access to this new feature on October 8, 2023.

The company plans to open its first two "[Wing City by St. Louis](#)" ("Wing City") fast-casual locations in Toronto during the fourth quarter. Wing City will offer a lower investment option for franchisees while expanding their reach to guests in a hurry. Wing City will offer the famous St. Louis wings,

boneless, plant-based wings and our signature fries and dill sauce. The menu will also include many unique items such as chicken fried ribs, and a signature chicken thigh sandwich.

St. Louis is moving forward with more initiatives to enhance availability for its loyal fans. St. Louis' retail launch of its burgers at Sobeys, Foodland and Longo's stores exceeded expectations and the company will continue expanding its retail presence. "Not only does this provide a new revenue stream," said Pelton, "it also puts our brand in our customers' homes. It's a regular reminder of the great flavours and experiences they have enjoyed in our restaurants and a prompt to come back for more."

Bridgehead

Revenue at Bridgehead improved to \$4,097,000, representing an increase of 21.5%, over the same quarter last year. During the quarter, Bridgehead opened its first licensed location, in the Ottawa airport, and early results are promising.

"We have been more creative in our post-pandemic recovery. Our guests still want the heritage, values, and high quality of Bridgehead coffee – but they just are not downtown in Ottawa the way they used to be, so we have created more ways to get our coffee in their cups, wherever they are – and the results are now beginning to show." said Pelton.

Wholesale revenue of \$426,000 increased by \$139,000 or 48.4% over the same quarter in 2022. Bridgehead coffee is available in an increasing number of grocery stores in Ontario, including Sobeys, Whole Foods, Farm Boy, all Ottawa and Kingston Costco locations, and a recent launch in Longo's.

Aegis Brands Inc.

Financial Highlights:

	13 weeks ended		39 weeks ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
St. Louis Revenue				
Royalties	\$ 1,508	\$ -	\$ 4,296	\$ -
Advertising fund contributions	382	-	2,218	-
Other franchise revenue	1,887	-	5,597	-
Corporate Restaurant revenue	508	-	508	-
	<u>\$ 4,285</u>	<u>\$ -</u>	<u>\$ 12,619</u>	<u>\$ -</u>
Bridgehead Revenue				
Coffeehouses	\$ 3,495	\$ 2,952	\$ 10,185	\$ 7,748
Wholesale	426	287	1,075	937
E-commerce	118	134	381	470
Other	58	-	58	-
	<u>\$ 4,097</u>	<u>\$ 3,373</u>	<u>\$ 11,701</u>	<u>\$ 9,155</u>
Total Revenue	<u>\$ 8,382</u>	<u>\$ 3,373</u>	<u>\$ 24,320</u>	<u>\$ 9,155</u>

Reconciliation of Net Income (loss) to Operating income (loss):

(In thousands of Canadian dollars)	13 weeks ended		39 weeks ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022

Net income (loss)	\$	467	\$	(2,403)	\$	(654)	\$	(6,874)
Add (deduct):								
Income tax recovery		-		(243)		-		(668)
Interest and financing charges		726		102		2,511		283
Other income		(4)		-		(6)		(40)
Operating income (loss)	\$	1,189	\$	(2,544)	\$	1,851	\$	(7,299)

Reconciliation of Net Income (loss) to EBITDA and Adjusted EBITDA:

(In thousands of Canadian dollars)	13 weeks ended		39 weeks ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net income (loss)	\$ 467	\$ (2,403)	\$ (654)	\$ (6,874)
Add (deduct):				
Income tax recovery	-	(243)	-	(668)
Other income	(4)	-	(6)	(40)
Interest and financing charges	726	102	2,511	283
Depreciation of property and equipment	159	161	475	479
Amortization of intangible assets	259	-	769	-
Amortization of right-of-use assets	238	251	731	754
EBITDA	\$ 1,845	\$ (2,132)	\$ 3,826	\$ (6,066)
Add impact of the following:				
Revaluation of securities	20	1,322	4	4,615
Restructuring costs	43	5	163	50
Adjusted EBITDA	\$ 1,908	\$ (805)	\$ 3,993	\$ (1,401)

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 September 24, 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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