



Eat. Energize.

Annual Report 2017



Our Mission:
To help citizens of the world live better by making healthyfood convenient and affordable

*

FRESHII FIVE GUIDING PRINCIPLES

1

Talk Is Cheap. Execution Sets You Apart

2

Launch Fast, Fail Fast, Iterate Faster

3

Numbers Rule. If You Can't Measure It, You Can't Manage It

4

Build A Company With A Killer Culture, Not A Culture That Kills A Company

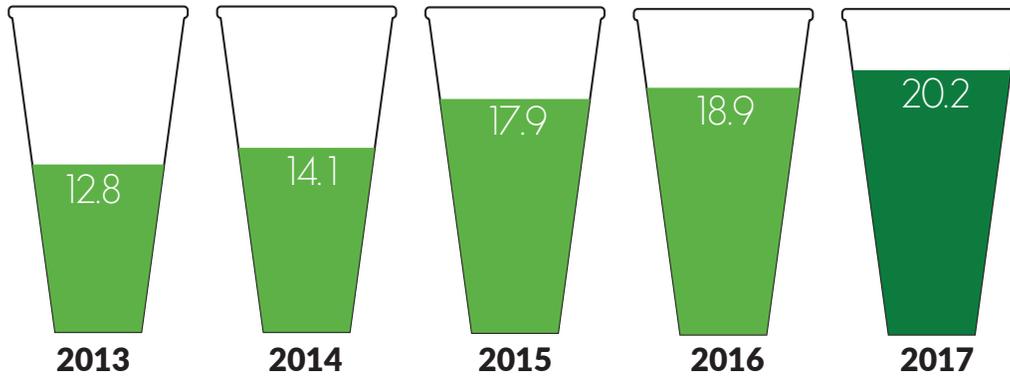
5

Pick Your Battles

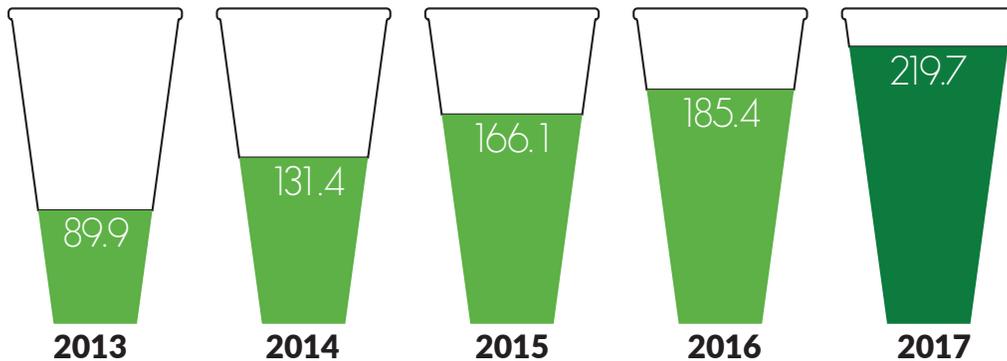
Financial Highlights

This is the fifth consecutive year of growth in adjusted operating profit demonstrating continued market acceptance of our products and the hard work of our people.

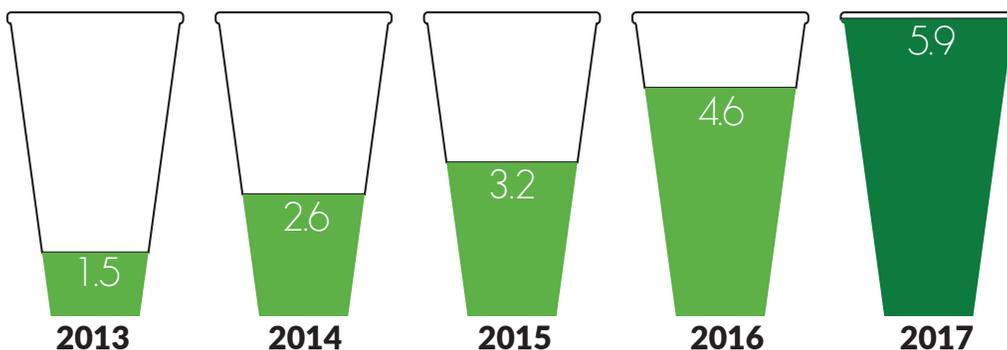
Adjusted Operating Profit in millions of dollars



Net Earnings from Continuing Operations in millions of dollars



Revenue in millions of dollars



The Freshii Story



Our Story

While working in New York City for fashion designer Oscar de la Renta, Matthew Corrin was inspired by “mom-and-pop” delis with fresh food but lackluster branding & service. He sought to “add magic to the fresh food business” & brand the commodity of fresh food not unlike Starbucks branded the coffee bean.

In 2005, he founded Freshii.

The Idea? To create a model that was scalable, branded & would improve the way people eat around the world.

Our Mission

To help citizens of the world live better by making healthy food convenient & affordable.

Freshii operates hundreds of locations in cities and countries around the world.

Meet Matthew Corrin

Matthew Corrin is the founder & CEO of Freshii. Matthew is a recipient of the Ernst & Young Entrepreneur of the Year award, Canada’s Top 40 under 40, Inc. Magazine’s Top 30 under 30, and Canadian Association of Foodservice Professionals Restaurateur of the Year.

In 2013, Matthew was featured on the hit TV show, Undercover Boss as the youngest CEO in the show’s history. In 2015, he featured as a dragon on CBC’s newest show in the Dragons Den – the Next Gen Den – which focuses on mobile, millennial entrepreneurs. Matthew has been featured in Fortune Magazine, CNN and Bloomberg television.

Message from the President



We are proud of our 2017 results in a challenging industry environment, where we delivered same store sales growth of 4.2%, our 17th consecutive quarter of positive same store sales growth, and notably this laps the 7.0% same store sales growth that we achieved in the second quarter of 2016. In addition, we opened 31 net new stores (of which 11 were enhanced openings, as discussed in the Company's Management Discussion and Analysis) in the second quarter, and remain confident in achieving 150-160 net new openings (including stores opened on an enhanced basis as described in the Company's Management Discussion and Analysis) in 2017. We are in the very early innings of what I see is possible for the Freshii brand, and we remain confident in our strategies to deliver on our guidance through the forecast period and position Freshii at the forefront of the global health and wellness movement.

Eat. Energize. That's the Freshii mantra. Freshii is a health-casual restaurant brand that serves fresh food designed to energize people on the go. With a diverse and completely customizable menu of breakfast, soups, salads, wraps, bowls, burritos, frozen yogurt, juices and smoothies served in an eco-friendly environment, Freshii caters to every taste and dietary preference.

Since it was founded in 2005, Freshii has opened hundreds of restaurants in cities and countries around the world. Freshii can be found in all location types from cosmopolitan cities, college campuses, suburban neighborhoods and malls to fitness clubs, airports and small towns.

Outlook:

For fiscal 2017, management is targeting the following:

- 150 to 160 net new franchised store openings (including stores opened on an enhanced basis as described in the Company's Management Discussion and Analysis) to reach 430 to 440 system-wide stores by the end of fiscal 2017; and
- Annual same-store sales growth for all system-wide stores in the range of 3.0% to 4.0%.

The foregoing outlook is based on management's current strategies and its assessment of its business and the restaurant industry as a whole and is considered to be forward-looking information for purposes of applicable Canadian securities laws. Readers are cautioned that actual results may vary.

Mission Green



Mission Green touches every part of our business: from packaging to waste, and marketing to store design.

Everything you take from the store either biodegrades naturally to the earth or is easily recyclable.

Shaking your meal in a biodegradable bag means we produce 5 to 7 times less of a carbon footprint than running even the most energy efficient dishwasher.

Most of our packaging is made from eco-friendly vegetable starches, like corn or potatoes. It biodegrades quickly, leaving behind only carbon dioxide, biomass, and water.

As we grow, our stores are built smaller to use less materials, use more eco-friendly materials, consume less energy, and to take less from the Earth.

Our setup is simple: no energy-hungry dishwashers, hoods, ranges or ovens.

We make use of online and mobile ordering and paperless marketing.

We use only eco-friendly, natural cleaning products.

This year at Freshii

Freshii Inc. Brings its Energizing Eats to New York City

Freshii Inc. announced the expansion of the brand into New York City under the Walgreens name. Freshii's partnership with Walgreens has led to over 8 successful Freshii stores since launching in 2016. Other Freshii Walgreens locations include Miami, Chicago and Boston. Today begins the 5 day Grand Opening Celebration in Union Square, where all entrees are being offered for \$5 through July 14th

Leading the expansion is long-time Franchise Partner Jon Blob. Now owning and operating three Freshii restaurants, Blob has the experience and the conviction to make his Union Square location a go-to spot for foodies and busy New Yorkers alike. Blob commented, "It was an easy decision as few places offer the population density of New York City. Freshii has a unique and widespread offering for anyone focused on health and wellness. The breadth of our menu eliminates the veto vote as everyone can come to Freshii and find something tasty, healthy and energizing."

Blob is confident that New Yorkers will fall in love with the concept the same way he did. Blob commented, "My belief in the Freshii mission, my passion for health and wellness and Freshii's strong positioning within the competitive restaurant industry made me want to be a part of the Freshii brand." Blob's entrepreneurial spirit is stronger than ever today, as he's eager to energize the New York City market. Freshii has officially opened its doors at Union Square East.



Air Canada Flights Fuelled by Freshii

In continuing to deliver on its mission, Freshii is proud to announce that beginning October 1st, Air Canada will serve a selection of Freshii's delicious and nutritious offerings, on hundreds of its flights per day.

Freshii is proud to energize Air Canada customers throughout their journey with cravable menu items like the warm Pangoa Bowl and Fiesta Wrap for lunch or dinner and Avocado Smash Box for a delicious and nutritious breakfast.

Freshii Founder & CEO Matthew Corrin shares his excitement about the partnership, "Through this partnership with Air Canada, the sky is the limit when it comes to delivering on the Freshii mission of making healthy food convenient and affordable to citizens of the world. With restaurants operating in over 80 cities and 16 countries, it's safe to say that I am a very frequent Air Canada flyer myself, and I am proud to partner with this global airline to support their innovation for the benefit of their customers and our guests, alike."

"We're excited to bring Freshii's innovative meals and snacks as a new option to our North American onboard bistro service. This partnership offers increased choice to our customers as we continue to improve on our 'Best Airline in North America' Skytrax status," says Benjamin Smith, President, Passenger Airlines at Air Canada.

Condensed Consolidated Interim Balance Sheets

(Expressed in thousands of US Dollars, unaudited)

As at June 25, 2017 and December 25, 2016

	As at June 25, 2017	As at December 25, 2016
Assets		
Current		
Cash	\$ 25,166	\$ 6,581
Restricted cash	-	122
Amounts receivable (Note 4)	2,119	1,564
Prepaid expenses and other assets (Note 5)	575	1,699
Current portion of deferred charges (Note 6)	44	110
	27,904	10,076
Non-current		
Non-current portion of other assets	395	125
Property and equipment (Note 8)	534	561
Intangible assets (Note 3)	4,466	263
Deferred tax asset (Note 7)	2,811	1,218
Total assets	\$ 36,110	\$ 12,243
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 1,694	\$ 5,167
Current portion of long-term debt (Note 10)	-	15,000
Current portion of deferred revenue (Note 11)	662	803
Current portion settlement payable (Note 22)	327	640
Income taxes payable	71	367
	2,754	21,977
Non-current		
Deferred revenue (Note 11)	814	727
Total liabilities	3,568	22,704
Equity (Deficit)		
Capital stock (Note 12)	42,756	1,709
Contributed surplus (Note 13)	4,117	248
Accumulated other comprehensive (loss) income	(368)	464
Deficit	(13,998)	(12,913)
	32,507	(10,492)
Non-controlling interest	35	31
	\$ 36,110	\$ 12,243

*Commitments, contingencies and guarantees - Note 22**Related parties - Note 23*

Approved by the Directors August 1, 2017

(Signed) "Jeffrey Burchell"
Jeffrey Burchell, Director

(Signed) "Adam Corrin"
Adam Corrin, Director

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

Freshii Inc.

Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income

(Expressed in thousands of US Dollars, unaudited)

For the 13 weeks and 26 weeks ended June 25, 2017 and June 26, 2016

	For the 13 weeks ended		For the 26 weeks ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
Revenue				
Franchise revenue (Note 14)	\$ 3,975	\$ 3,884	\$ 7,416	\$ 6,288
Company-owned store revenue	676	839	1,260	1,666
Total revenue	4,651	4,723	8,676	7,954
Costs and expenses				
Cost of sales	\$ 547	692	1,049	1,388
Selling, general and administrative (Note 15)	1,902	2,467	5,569	4,212
Depreciation and amortization	65	30	125	78
Share based compensation expense (Note 13)	2,428	10	3,869	31
Total costs and expenses	4,942	3,199	10,612	5,709
Income (loss) before interest costs, foreign exchange & income taxes	(291)	1,524	(1,936)	2,245
Interest costs, net (Note 18)	(48)	63	30	124
Foreign exchange gain	9	(88)	(454)	(76)
Income (loss) before income tax expense	(252)	1,549	(1,512)	2,197
Income tax expense (recovery) (Note 7)	(25)	495	(447)	713
Net (loss) income	(227)	1,054	(1,065)	1,484
Other comprehensive (loss) income				
Currency translation adjustment that may be reclassified to:				
net (loss) income, net of tax	277	(22)	(832)	24
Comprehensive income (loss)	50	1,032	(1,897)	1,508
Net (loss) income attributable to:				
Freshii Inc.	(234)	1,043	(1,085)	1,466
Non-controlling interest	7	11	20	18
Comprehensive income (loss) attributable to:				
Freshii Inc.	43	1,021	(1,917)	1,490
Non-controlling interest	7	11	20	18
Net (loss) income per share attributable to the Common Shareholders of the Company: (in dollars)				
Basic (loss) earnings per share (Note 16)	(0.01)	0.03	(0.03)	0.05
Diluted (loss) earnings per share (Note 16)	(0.01)	0.03	(0.03)	0.05

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

The Leadership Team

Matthew Corrin

Matthew founded Freshii in 2005 and has served as our Chief Executive Officer and as our Chairman since December 2012. We believe that Matthew's role as our founder and his intimate knowledge of our operations and culture qualifies him to serve as Chairman of our Board. Matthew is a recipient of the Ernst & Young Entrepreneur of the Year award, Canada's Top 40 under 40, Inc. Magazine's Top 30 under 30, and Canadian Association of Foodservice Professionals Restaurateur of the Year. Matthew holds a B.A. from the University of Western Ontario.



Craig De Pratto

Craig has served as our Chief Financial Officer since April 2014. Prior to joining Freshii, Craig held a number of positions at Freeze-Dry Foods Limited from May 2011 to April 2014, where he most recently served as Vice President, Finance and Administration. Previously, he held a number of positions at BDO Canada LLP from January 2006 to May 2011, where he most recently served as Manager. Craig holds a Bachelor of Accountancy, with honours, from Brock University and holds a Chartered Accountant and a Chartered Professional Accountant designation.



Adam Corrin

Adam has served as our Chief Operating Officer since January 2016. Adam joined Freshii in March 2010 as a corporate unit-level manager and held a number of operational positions at Freshii since that time. Adam holds a B.A. from Colgate University. Adam is the brother of Matthew Corrin.



Ashley Dalziel

Ashley has served as our Chief People Officer since February 2016. Prior to joining Freshii, Ashley held a number of positions at Lululemon Athletica Inc. between October 2006 to January 2016, where she most recently served as the Global Manager of Recruiting and Talent. Ashley holds a B.A. in Psychology from the University of British Columbia and a Master of Arts in Counselling from the City University of Seattle.



Michael Pandich

Michael has led Freshii's Canadian franchise development since January 2014 and global development since October 2015. A proven sales executive, Michael's core expertise is helping companies combine corporate strategy with sales execution to achieve desired revenue and EBITDA targets. Prior to joining Freshii, Michael consulted with various private equity companies to help turnaround lagging portfolio companies. Michael holds a B.A. from the University of North Carolina and executive management certifications from The Wharton School at the University of Pennsylvania.



Melissa Gallagher

Melissa joined as our Vice President of Marketing in October 2016. Prior to joining Freshii, Melissa was a Partner and Vice President at Karo Group, where she oversaw the Subway restaurants marketing strategy and execution from May 2014 to October 2016. Previously, Melissa held a number of positions at Torsub & Centron Services (Subway Development), including Business Consultant and Local Store Marketing Director from January 2007 to September 2009, before leaving to lead the advertising for the Ontario Subway Franchise group at Cundari from Sept 2009 through January 2014. Ms. Gallagher was awarded the Marketing Magazine's Top 30 Under 30 award in 2014 and holds a diploma from the marketing program at George Brown College.



Jenny Hoshioan

Jenny has served as our Vice President, Supply Chain since November 2013. Prior to joining Freshii, Jenny worked in a number of different roles in Supply Chain and Marketing at Cara Operations Limited from September 2007 to October 2013, where she most recently served as Business Manager, Supply Chain. Previously, Jenny was enrolled in the Canadian Armed Forces reserve and served for 11 years as a Naval Communicator. Jenny holds a Bachelor of Commerce, with honours, from Queen's University.



Share Information



The Company's authorized share capital consists of an unlimited number of Class A subordinate voting shares, an unlimited number of Class B multiple voting shares and an unlimited number of Preferred Shares, issuable in series.

As at March 26, 2017 and the date hereof, there were 5,248,017 Class B multiple voting shares and 25,233,152 Class A subordinate voting shares issued and outstanding.

As of March 26, 2017, the Company had 1,021,245 options to purchase Class A subordinate voting shares issued and outstanding.

On January 25, 2017, the Company granted an aggregate of 969,975 RSUs to Freshii's executive officers, management and employees and 49,500 RSUs to Freshii's non-management directors. One-third of these RSUs granted to our employees and executive officers will vest on the date that is six months following the closing date of the Offering ("Closing Date") with one third of the remaining RSUs vesting on each of the first three annual anniversary dates following the Closing Date. Half of the RSUs granted to our non-management directors will vest on the date that is six months following the Closing Date, and the remaining RSUs granted to our non-management directors will vest on the date that is 12 months following the Closing Date. Upon settlement of any RSU for cash, the fair market value of the Class A subordinate voting share that such RSU would have otherwise been settled in exchange for, is an amount equal to, on a particular date, the closing price for the Class A subordinate voting shares on the TSX for the trading day on which the Class A subordinate voting shares traded immediately preceding such settlement date.

Related Party Transactions

The Company's policy is to conduct all transactions with related parties at arm's length to align with market terms and conditions. The Company has entered, or proposes to enter, into employment agreements with related parties and related parties may also participate in the Company's share-based compensation plans. See note 22 to our interim financial statements.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated interim financial statements requires significant judgments made by management in applying the Company's accounting policies except those adopted using the judgments from the 13 week period ended March 26, 2017 and the key sources of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the 52 week period ended December 25, 2016.

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after December 25, 2016. See note 2 of the Company's condensed consolidated interim financial statements for the 13 week period ended March 26, 2017 for a summary of new accounting standards adopted during 2017, and note 4 of the Company's annual consolidated financial statements for the 52 week period ended December 25, 2016 for a summary of future accounting standards not yet adopted.

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