

The logo for Second Cup Coffee Co. is enclosed in a black rectangular border. It features the words "SECOND CUP" on the top line and "COFFEE CO." on the bottom line, both in a bold, sans-serif font. A small trademark symbol (TM) is positioned to the right of "COFFEE CO."

## SECOND CUP COFFEE CO.™

### **Second Cup Reports Continued Improvement in Profitability and Strategic Review Process**

MISSISSAUGA, ON, November 5, 2018 /CNW/ - The Second Cup Ltd. (“Second Cup” or “The Company”) (TSX: SCU) today reported improved financial results for the third quarter ended September 29, 2018.

#### **Highlights**

- Net Income was \$766,000 or \$0.04 per share for the third quarter compared with a loss of \$2,962,000 or \$0.19 per share in the prior year.
- Same store sales rose 0.3% in the quarter.
- Joint venture with National Access Cannabis Corp. (“NAC”), planning to convert two Alberta locations to recreational cannabis dispensaries and examining multiple potential opportunities in Ontario.

#### **Third Quarter 2018**

EBITDA of \$858,000 rose by 6.6% compared with last year’s third quarter and represents a continuing trend of improving EBITDA results for Second Cup.

Same store sales grew by 0.3 % in Q3. The expansion of Pinkberry premium frozen yogurt continues with Pinkberry now in 84 Second Cup cafes across the country. Pinkberry is an important contributor to overall sales and transactions.

Garry Macdonald, Second Cup President & CEO said, “I am pleased with our continued improvement in profitability and same store sales results this quarter. Innovations such as Pinkberry, UberEats and Skip The Dishes delivery services are helping to drive incremental sales. Additionally, we continue to focus on providing our customers with a best-in-class customer experience.”

#### **New Developments**

NAC and Second Cup announced their strategic alliance in April 2018, through which the two companies will develop a network of NAC-branded (Meta) and operated recreational cannabis stores in provinces where legally permissible. Two conversions are underway in Alberta. While the guidelines are not yet finalized, many more locations in Ontario have been identified as attractive candidates for conversion to cannabis dispensaries.

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While the Board remains focused on operational excellence in the Second Cup network, it recognizes the need for the Company's strategy to continue to evolve and has begun a strategic review process for the overall company. The balance sheet has been strengthened and now has the capacity to support a broader range of strategic alternatives to create shareholder value. There is no guarantee this strategic review will result in any avenues being pursued.

### **About Second Cup Coffee Co.™**

Founded in 1975, The Second Cup Ltd. is a Canadian specialty coffee retailer operating franchised and company owned cafes across Canada. The company's vision is to be the Canadian specialty coffee brand of choice across Canada, committed to superior quality, innovation and profitable growth. For more information, please visit [www.seconcup.com](http://www.seconcup.com) or find the company on Facebook and Twitter.

SOURCE The Second Cup Ltd.

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**ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

In May, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) a new comprehensive model for entities to use accounting for revenue arising from contracts with customers. On December 31, 2017, (“Transition Date”) the Company applied IFRS 15 using the modified retrospective transition method. The financial statements reflect the application of IFRS 15 beginning in 2018, while the financial statements for previous periods were prepared under the guidance of the previous standard. The details and quantitative impact of the changes are disclosed below.

Franchise revenue consists of royalties, as well as initial and renewal of franchise fees, and other fees. Our performance obligations under franchise agreements include a franchise license as well as pre-opening services including training. These obligations are highly interrelated and, as required under the new guidance, the Company defers the initial franchise and licensing fees and recognizes revenue over the term of the related agreement. Previously, the Company recognized initial franchise fees when all material obligations and services had been performed, which generally occurred when the franchised café opened. On the Transition Date, the Company recognized an increase of \$3,118 to deferred revenue, a decrease to deferred income taxes of \$832 and a decrease to the retained earnings (deficit) of \$2,286. For the 13 and 39 weeks ended September 29, 2018, an increase of \$138 and an increase of \$183, respectively, in franchise revenue was recognized compared to the previous standards.

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### FINANCIAL HIGHLIGHTS

The following table sets out selected IFRS and certain non-GAAP financial measures of the Company and should be read in conjunction with the Unaudited Condensed Interim Financial Statements of the Company for the 13 and 39 weeks ended September 29, 2018 and September 30, 2017.

(In thousands of Canadian dollars, except same café sales, number of cafés, per share amounts, and number of common shares.)	13 weeks ended		39 weeks ended	
	September 29, 2018 <sup>2</sup>	September 30, 2017	September 29, 2018 <sup>2</sup>	September 30, 2017
System sales of cafés <sup>1</sup>	\$35,704	\$37,014	\$107,837	\$112,827
Same café sales <sup>1</sup>	0.3%	0.0%	(0.9%)	0.1%
Number of cafés – end of period	270	289	270	289
Total revenue	\$5,937	\$5,339	\$16,461	\$17,551
Operating costs and expenses	\$5,417	\$4,903	\$15,903	\$17,568
Operating income (loss) <sup>1</sup>	\$520	\$436	\$558	(\$17)
EBITDA <sup>1</sup>	\$858	\$805	\$1,569	\$1,095
Adjusted EBITDA <sup>1</sup>	\$858	\$805	\$1,569	\$1,382
Net income (loss) and comprehensive income (loss)	\$766	(\$2,962)	\$1,205	(\$3,752)
Adjusted net income (loss) and comprehensive income (loss)	\$766	\$245	\$1,205	(\$545)
Basic and diluted earnings (loss) per share as reported	\$0.04	(\$0.19)	\$0.06	(\$0.28)
Adjusted basic and diluted earnings (loss) per share as reported	\$0.04	\$0.02	\$0.06	(\$0.04)
Total assets – end of period	\$55,272	\$42,631	\$55,272	\$42,631
Number of weighted average common shares issued and outstanding	19,940,073	15,236,961	18,581,022	13,632,950

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

<sup>2</sup>Adoption of new standard on a modified retrospective basis – Financial statements for 2018 are prepared under the new standard whereas the previous periods are on the old standard. See the section “Adoption of New Accounting Pronouncements” for further analysis.

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### **OPERATIONAL REVIEW**

#### ***Seasonality of system sales of cafés***

The following table shows the percentage of annual system sales of cafés achieved, on average, in each fiscal reporting quarter over the last three years:

% of annual system sales of cafés	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Average</b>
First Quarter	24.7	23.9	24.6	24.4
Second Quarter	25.0	24.6	24.6	24.7
Third Quarter	23.5	23.0	24.0	23.5
Fourth Quarter	26.8	28.5	26.8	27.4
	100.0	100.0	100.0	100.0

Historically, system sales of cafés have been higher in the fourth quarter, which includes the holiday sales periods of November and December. In 2016, Fourth Quarter contains one extra week, for a total of 14 weeks.

#### ***Café network***

	<b>13 weeks ended</b>		<b>39 weeks ended</b>	
	<b>September 29, 2018</b>	<b>September 30, 2017</b>	<b>September 29, 2018</b>	<b>September 30, 2017</b>
Number of cafés – beginning of period	275	291	286	294
Cafés opened	1	1	4	2
Cafés closed	(6)	(3)	(20)	(7)
Number of cafés – end of period	270	289	270	289

The Company ended the Quarter with 24 (September 30, 2017 – 15) Company-owned cafés. Café closures are mainly attributable to leases that are not renewed on expiration, under-performing locations and landlord re-development of specific sites.

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### **Third Quarter**

#### ***System sales of cafés***

System sales of cafés for the 13 weeks ended September 29, 2018 were \$35,704 compared to \$37,014 for the 13 weeks ended September 30, 2017 representing a decrease of \$1,310 or 3.5%. The decrease in system sales of cafés is primarily due to the reduction in café count.

#### ***Same café sales***

During the Quarter, same café sales increased by 0.3%, compared to flat in the same Quarter of 2017. The improvement in same café sales is driven by the success of the Company's fruit smoothies program and Pinkberry, offset by the reduction in transactions.

#### ***Analysis of revenue***

Total revenue for the Quarter was \$5,937 (2017 – \$5,339), an increase of \$598, consisting of Company-owned café and product sales, royalty revenue, advertising revenue, fees and other revenue.

Company-owned cafés and product sales for the Quarter were \$2,186 (2017 – \$1,692), an increase of \$494. The number of Company-owned cafés increased by four in the Quarter, part of the Company's short-term effort to improve the operation and customer experience at certain cafés. The Company maintains its on-going objective of reducing the number of Company-owned cafés, consistent with the Company's strategy of returning to an asset light business model.

Franchise revenue was \$3,751 for the Quarter (2017 – \$3,647), an increase of \$104. Franchise revenue in the Quarter includes the recognition of deferred revenue as required by IFRS 15, net impact of \$138 higher than under previous standards.

#### ***Operating costs and expenses***

Operating costs and expenses include the costs of Company-owned cafés and product sales, franchise-related expenses, general and administrative expenses, gain/loss on disposal of assets, and depreciation and amortization. Total operating costs and expenses for the Quarter were \$5,417 (2017 – \$4,903), an increase of \$514.

Company-owned cafés and product related expenses for the Quarter were \$2,552 (2017 – \$1,902), an increase of \$650. The increase in costs is driven by the higher average number of Company-owned cafés this year.

Franchise related expenses for the Quarter were \$1,380 in the Quarter (2017 – \$1,131), an increase of \$249. The increase in franchise related expenses in the Quarter is primarily driven by an increase in provisions for rent arrears of \$82, bad debts of \$66 and construction related expenses of \$61.

General and administrative expenses were \$1,147 for the Quarter (2017 – \$1,504), a decrease of \$357. This decrease in expenses is primarily due to reductions in remunerations, directors' fees and IT related expenses.

No gain or on disposal of assets was recognized in the Quarter (2017 – gain of \$3). Gain and loss on disposal of assets are related to the franchising of Company-owned cafés to franchise partners.

Depreciation and amortization expense was \$338 (2017 – \$369), a decrease of \$31.

#### ***EBITDA***

EBITDA for the Quarter was \$858 (2017 – \$805), an increase of \$53.

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### ***Other income***

Other income for the Quarter was \$436. The Company entered into a strategic alliance to develop and operate a network of NAC-branded recreational cannabis dispensaries and received five million warrants that will expire after five years. The Black-Scholes fair value of the warrants received (\$2,655) was recognized in deferred revenue and is being recognized as other income over the life of the agreement which is 18 months.

### ***Gain on fair value of investments in equity securities***

The gain on fair value of NAC warrants was \$20. As of September 29, 2018, the NAC stock price was \$0.98 resulting in an increase to the fair value of the NAC warrants. The change in fair value of the NAC warrants will fluctuate in accordance with the trading price of the NAC common shares.

### ***Interest and financing income (costs)***

Interest income for the Quarter was \$61 compared to interest and financing costs of \$3,394 in the same Quarter of 2017. In the third quarter of 2017, one-time, non-cash financing charges of \$3,290 was recognized. These charges consist of the difference between the share price of \$2.60 on the Issuance Date and the agreed-to share price of \$1.90, and the write-off of the unamortized portion of deferred transaction costs related to the debt.

### ***Net income (loss)***

The Company's net income for the Quarter was \$766 or \$0.04 per share, compared to a net loss of \$2,962 or \$0.19 per share in 2017. Adjusted for the after-tax fair value difference on shares issued and other costs of \$3,207 (\$0.21 per share) in 2017, adjusted net income was \$766 or \$0.04 per share compared to an adjusted net income of \$245 or \$0.02 per share in 2017.

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

### ***Year to date***

#### ***System sales of cafés***

System sales of cafés for the 39 weeks ended September 29, 2018 were \$107,837 compared to \$112,827 for the 39 weeks ended September 30, 2017 representing a decrease of \$4,990 or 4.4%. The decrease is primarily due to the reduction in store count.

#### ***Same café sales***

Year to date same café sales decreased by 0.9%, compared to an increase of 0.1% in the same period of 2017. The decline is primarily due to reduced transactions.

#### ***Analysis of revenue***

Year to date total revenue was \$16,461 (September 30, 2017 – \$17,551) consisting of Company-owned café and product sales, royalty revenue, franchise fees and other revenue.

Year to date Company-owned cafés and product sales were \$5,444 (September 30, 2017 – \$6,849). The decrease in revenue of \$1,405 is primarily due to the lower average number of Company-owned cafés during the period as compared to last year. The Company maintains its on-going objective of reducing the number of Company-owned cafés, consistent with the Company's strategy of returning to an asset light business model.

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Year to date franchise revenue was \$11,017 (September 30, 2017 – \$10,702). The increase in franchise revenue of \$315 includes a net positive impact of \$183 due to the application of the new revenue recognition standards.

### ***Operating costs and expenses***

Operating costs and expenses include the costs of Company-owned cafés and product sales, franchise-related expenses, general and administrative expenses, loss on disposal of assets, and depreciation and amortization. Year to date total operating costs and expenses were \$15,903 (September 30, 2017 – \$17,568), a decrease of \$1,665.

Year to date, Company-owned cafés and product related expenses were \$6,174 (September 30, 2017 – \$7,531), a decrease of \$1,357. This decrease in costs is due to the lower average number of Company-owned cafés during the period as compared to last year.

The Company incurred franchise related expenses year to date of \$4,767 (September 30, 2017 – \$4,023), an increase of \$744. This increase in expenses is primarily driven by an increase in provisions for bad debts of \$471 and remuneration of \$325.

General and administrative expenses were \$3,948 year to date (September 30, 2017 – \$4,803), a decrease of \$855. This decrease in expenses is primarily due to the one-time transition costs in 2017 and reductions in remuneration, directors' fees, and IT related expenses.

Year to date, a loss on disposal of \$3 was recognized (September 30, 2017 – loss of \$99). Gain and loss on disposal of assets are primarily related to the franchising of Company-owned cafés to franchisees.

Depreciation and amortization expense was \$1,011 (September 30, 2017 – \$1,112), a decrease of \$101.

### ***EBITDA***

EBITDA for the year to date was \$1,569 compared to \$1,095 in the same period of last year. Adjusted for one-time transition costs of \$287 incurred in the second quarter of 2017, adjusted EBITDA was \$1,569 compared to \$1,382 in the same period of 2017. The increase in adjusted EBITDA of \$187 is primarily driven by operational efficiencies.

### ***Other income***

Year to date, other income was \$819 from the amortization of deferred revenue from the NAC agreement.

### ***Gain on fair value of investments in equity securities***

The gain on fair value of NAC warrants was \$170. As of September 29, 2018, the NAC stock price was \$0.98 resulting in an increase to the fair value of the NAC warrants. The change in fair value of the NAC warrants will fluctuate in accordance with the trading price of the NAC common shares.

### ***Interest and financing income (costs)***

Interest income for the year to date was \$102 compared to interest and financing costs of \$3,902, in the same period in 2017. In the third quarter of 2017, one-time, non-cash financing charges of \$3,290 was recognized. These charges consist of the difference between the share price of \$2.60 on the Issuance Date and the agreed-to share price of \$1.90, and the write-off of the unamortized portion of deferred transaction costs related to the debt.



***Net income (loss)***

The Company's net income year to date was \$1,205 or \$0.06 per share, compared to a net loss of \$3,752 or \$0.28 per share in 2017. Adjusted for the after-tax fair value difference on shares issued and other costs of \$3,207 (\$0.24 per share) in 2017, adjusted net income was \$1,205 or \$0.06 per share compared to an adjusted net loss of \$545 or \$0.04 per share in 2017.

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

**SELECTED QUARTERLY INFORMATION**

(in thousands of Canadian dollars, except Number of cafés, Same café sales, and per share amounts)	<b>Q3 2018<sup>3</sup></b>	<b>Q2 2018<sup>3</sup></b>	<b>Q1 2018<sup>3</sup></b>	<b>Q4 2017<sup>2</sup></b>
System sales of cafés <sup>1</sup>	\$35,704	\$36,213	\$35,920	\$41,326
Same café sales <sup>1</sup>	0.3%	(1.0%)	(2.2%)	(1.1%)
Number of cafés – end of period	270	275	279	286
Total revenue	\$5,937	\$5,627	\$4,897	\$6,085
Operating income (loss) <sup>1</sup>	\$520	\$213	(\$175)	\$993
EBITDA <sup>1</sup>	\$858	\$537	\$174	\$1,339
Adjusted EBITDA <sup>1</sup>	\$858	\$537	\$174	\$1,339
Net income (loss) for the period	\$766	\$577	(\$138)	\$655
Adjusted net income (loss) for the period <sup>1</sup>	\$766	\$577	(\$138)	\$655
Basic and diluted earnings (loss) per share	\$0.04	\$0.03	(\$0.01)	\$0.04
Adjusted basic and diluted earnings (loss) per share <sup>1</sup>	\$0.04	\$0.03	(\$0.01)	\$0.04
	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q4 2016<sup>2</sup></b>
System sales of cafés <sup>1</sup>	\$37,014	\$37,898	\$37,915	\$46,743
Same café sales <sup>1</sup>	0.0%	0.7%	(0.2%)	(1.0%)
Number of cafés – end of period	289	291	293	294
Total revenue	\$5,339	\$6,237	\$5,975	\$7,500
Operating income (loss) <sup>1</sup>	\$436	(\$138)	(\$315)	\$301
EBITDA <sup>1</sup>	\$805	\$230	\$60	\$667
Adjusted EBITDA <sup>1</sup>	\$805	\$517	\$60	\$667
Net income(loss) for the period	(\$2,962)	(\$315)	(\$475)	\$147
Adjusted net income (loss) for the period <sup>1</sup>	\$245	(\$315)	(\$475)	\$147
Basic and diluted earnings (loss) per share	(\$0.19)	(\$0.02)	(\$0.04)	\$0.01
Adjusted basic and diluted earnings (loss) per share <sup>1</sup>	\$0.02	(\$0.02)	(\$0.04)	\$0.01

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

<sup>2</sup>The Company’s fourth quarter System sales of cafés are higher than other quarters due to the seasonality of the business (see “Seasonality of System sales of cafés” above).

<sup>3</sup>Adoption of new standard on a modified retrospective basis – Financial statements for 2018 are prepared under the new standard whereas the previous periods are on the old standard. See the section “Adoption of New Accounting Pronouncements” for further analysis.

**DEFINITIONS AND DISCUSSION ON CERTAIN NON-GAAP FINANCIAL MEASURES**

In this press release, the Company reports certain non-GAAP financial measures such as system sales of cafés, same café 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 cafés***

System sales of cafés comprise the net revenue reported to Second Cup by franchisees of Second Cup cafés and by Company-owned cafés. This measure is useful in assessing the operating performance of the entire Company network, such as capturing the net change of the overall café network.

Changes in system sales of cafés result from the number of cafés and same café sales (as described below). The primary factors influencing the number of cafés within the network include the availability of quality locations and the availability of qualified franchisees.

***Same café sales***

Same café sales represent the percentage change, on average, in sales at cafés operating system-wide that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance as an indicator of appeal to customers. Two principal factors that affect same café sales are changes in customer count and changes in average transaction size.

***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 income (loss) to operating income (loss), EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided below:

	13 weeks ended		39 weeks ended	
	September 29, 2018 <sup>1</sup>	September 30, 2017	September 29, 2018 <sup>1</sup>	September 30, 2017
Net income (loss)	\$ 766	\$ (2,962)	\$ 1,205	\$ (3,752)
Income taxes	271	4	444	(167)
Interest and financing (income) costs	(61)	3,394	(102)	3,902
Gain on fair value of investments in equity securities	(20)	-	(170)	-
Other income	(436)	-	(819)	-
Operating income (loss)	<u>\$ 520</u>	<u>\$ 436</u>	<u>\$ 558</u>	<u>\$ (17)</u>

	13 weeks ended		39 weeks ended	
	September 29, 2018 <sup>1</sup>	September 30, 2017	September 29, 2018 <sup>1</sup>	September 30, 2017
Net income (loss)	\$ 766	\$ (2,962)	\$ 1,205	\$ (3,752)
Income taxes	271	4	444	(167)
Interest and financing (income) costs	(61)	3,394	(102)	3,902
Gain on fair value of investments in equity securities	(20)	-	(170)	-
Other income	(436)	-	(819)	-
Depreciation of property and equipment	212	255	635	774
Amortization of intangible assets	<u>126</u>	<u>114</u>	<u>376</u>	<u>338</u>
EBITDA	858	805	1,569	1,095
Add (deduct) impact of the following: One-time transition costs	-	-	-	287
Adjusted EBITDA	<u>\$ 858</u>	<u>\$ 805</u>	<u>\$ 1,569</u>	<u>\$ 1,382</u>

<sup>1</sup>Adoption of new standard on a modified retrospective basis – Financial statements for 2018 are prepared under the new standard whereas the previous periods are on the old standard. See the section “Adoption of New Accounting Pronouncements” for further analysis.

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	13 weeks ended		39 weeks ended	
	September 29, 2018 <sup>1</sup>	September 30, 2017	September 29, 2018 <sup>1</sup>	September 30, 2017
Net income (loss)	\$ 766	\$ (2,962)	\$ 1,205	\$ (3,752)
Add (deduct) impact of the following:				
After-tax fair value difference on shares issued and other costs	-	3,207	-	3,207
Adjusted net income (loss)	<u>\$ 766</u>	<u>\$ 245</u>	<u>\$ 1,205</u>	<u>\$ (545)</u>

	13 weeks ended		39 weeks ended	
	September 29, 2018 <sup>1</sup>	September 30, 2017	September 29, 2018 <sup>1</sup>	September 30, 2017
Net income (loss) per share	\$ 0.04	\$ (0.19)	\$ 0.06	\$ (0.28)
Add (deduct) impact of the following:				
After-tax fair value difference on shares issued and other costs	-	0.21	-	0.24
Adjusted net income (loss) per share	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u>	<u>\$ (0.04)</u>

<sup>1</sup>Adoption of new standard on a modified retrospective basis – Financial statements for 2018 are prepared under the new standard whereas the previous periods are on the old standard. See the section “Adoption of New Accounting Pronouncements” for further analysis.

**Forward-looking information**

This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the business of the Company and the environment in which it operates. Forward-looking statements are identified by words such as "believe", "anticipate", "expect," "intend", "plan", "will", "may" and other similar expressions. These statements are based on the Company's expectations, estimates, forecasts and projections and include, without limitation, statements regarding the benefits of the debt exchange and the impact of the debt exchange on the Company's strategic plan and transformation. The forward-looking statements in this news release are based on certain assumptions, including that the Company will be able to execute its plan, including store growth in traditional and non-traditional channels. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risk Factors" in the Company's annual information form available at [www.sedar.com](http://www.sedar.com). There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.