Cara Operations Unlimited

Recipe Unlimited Reports 2019 Q4 and Full Year Results

VAUGHAN, ON, March 5, 2020 /CNW/ - Recipe Unlimited Corporation reported financial results today for the 13 and 52 weeks ended December 29, 2019.

For the fourth quarter, the company continued to generate solid and stable Operating EBITDA and Free Cash Flow. Operating EBITDA was $60.5 million for the 13 weeks ended December 29, 2019 and $216.0 million year to date, and Free Cash Flow was $44.3 million for the quarter and $155.9 million year to date.

In 2019, the Company took significant strides to improve value for its guests, its franchisees and its shareholders. A record 109 restaurants were renovated, all menus were streamlined for improved guest experiences and operational efficiencies, the Company invested in new training programs, created new digital apps, opened 43 new locations (including our first location in India), and renewed over 100 franchisee agreements. In 2019, we increased System Sales & Operating EBITDA over 2018 and completed a major share repurchase program. While SRS was negative in the quarter, a reflection of challenging industry conditions, the brands continued to make progress in improving the overall guest experience as measured by our guest feedback systems, which management believes to be a leading indicator for guest revisit intent.

In December, management completed a thorough strategic planning process which included a complete financial review of all 1,373 corporate, franchise and joint venture locations. As a result of that review, management is taking decisive action to ensure the long-term health and success of the company and to address legacy issues regarding these locations. For corporate restaurant locations that no longer fit the long-term strategic plan of the Company, management will take steps to exit these sites. For certain franchise locations that are under-performing, the Company will continue to work with the franchisees to help them achieve sustainable success which may include the Company providing temporary financial support in the form of royalty relief or rent assistance. The restructure of these restaurants will result in a future positive impact to Operating EBITDA compared to 2019.

"While we are pleased with the positive progress made, we are continuing to create ways to offer more compelling and relevant consumer propositions. We will continue to make investments in training, renovations and in new initiatives such as those that may better serve the major urban centers for delivery. We are also improving the overall quality of our restaurant portfolio through the restructuring and closure of under-performing locations and continued support of our franchisees. We are very optimistic about our future. Our healthy balance sheet, and in particular our ability to generate significant free cash flow, allows us to be patient and continue to make investments in our business for the betterment of all our stakeholders. To that end, we are pleased to announce an increase to the dividend, which marks the third consecutive year of dividend increases," Mr. Hennessey added.

Highlights for the 13 and 52 weeks ended December 29, 2019:

- Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis was $0.76 and $2.52 for the 13 and 52 weeks ended December 29, 2019, compared to $0.74 and $2.49 in 2018.
- Free Cash Flow before growth capex, dividends, and share repurchases under the Company's normal course issuer bid ("NCIB") for the 13 and 52 weeks ended December 29, 2019 was $44.3 million and $155.9 million compared to $47.3 million and $158.7 million in 2018, respectively.
- The Company generates significant Operating EBITDA and Free Cash Flow[1] which provides the Company with stable and recurring earnings to fund growth and to enhance shareholder returns. The Company continues to have low leverage with available debt capacity of $617.7 million, thus enabling the Company to take advantage of strategic opportunities for growth and to enhance shareholder returns.

  On March 5, 2020, the Recipe Board of Directors declared a quarterly dividend of $0.1177 per Subordinate Voting Share and Multiple Voting Share, an increase of $0.0056 or 5.0% over the 2019 quarterly dividend rate, starting with the April 15, 2020 dividend that will be paid to shareholders of record on March 31, 2020.

  During the 52 weeks ended December 29, 2019, the Company repurchased and canceled 5,952,500 subordinate voting shares for $160.7 million under the Company's NCIB and a substantial issuer bid ("SIB") that was completed on September 25, 2019. As at December 29, 2019, the Company had 56,378,425 shares outstanding compared to 61,755,594, as at December 30, 2018, a decrease of 5,377,169 shares or 8.7%, that will increase Free Cash Flow and Earnings per share on a go forward basis by approximately 6%-7%, or $0.05 Free Cash Flow per share and $0.02 EPS.
- System Sales[1] for the 13 weeks ended December 29, 2019 was $895.8 million compared to $905.4 million in 2018, representing a decrease of $9.6 million or 1.1%. The decrease is primarily related to SRS decreases, temporary restaurant closures related to renovations resulting in lost System Sales of $1.7 million during the quarter, and restaurant closures offset by new restaurant openings and growth in retail and catering sales. System Sales[1] for the 52 weeks ended December 29, 2019 grew $71.6 million to $3,486.9 million compared to $3,415.3 million in 2018, representing an increase of 2.1%. The increase in System Sales is primarily related to the addition of The Keg in February 2018 and growth in the retail and catering segment from the Swiss Chalet branded products sold at grocery, the addition of Montana's ribs sold at grocery during the fourth quarter, increases in frozen pot pie sales from the addition of the new pie production line, and the addition of Marigolds and Onions in December 2018, partially offset by temporary restaurant closures related to renovations resulting in lost System Sales of $9.2 million during the year.
- Same Restaurant Sales ("SRS") Growth[1] for the 13 and 52 weeks ended December 29, 2019 was a decrease of 2.6% and a decrease of 2.3%, respectively, compared to the same 13 and 52 weeks in 2018. Recipe and the full service restaurant industry, as a whole, faced headwinds in 2019 that continued through Q4. Early progress on our 4 pillar operating model (Quality of Food, Quality of Service, Value for the Experience and Ambiance) continues to yield higher guest satisfaction metrics, which management believes to be a key indicator for long term guest loyalty and revisit intent. Management believes that there is more upside potential by continuing to create more compelling and relevant consumer propositions for both dine-in and off-premise channels.
- Operating EBITDA[1][2] for the 13 weeks ended December 29, 2019 was $60.5 million compared to $63.3 million in 2018, a decrease of $2.8 million or 4.4% for the quarter. Operating EBITDA[1][2] for the 52 weeks ended December 29, 2019 increased to $216.0 million compared to $214.7 million in 2018, an improvement of $1.3 million or 0.6%. The increase for the year was primarily driven by the improved contribution from the franchise, retail and catering segment of $2.3 million or 6.7%; and the central segment of $0.7 million or 5.4%, that more than offset a decrease in corporate contribution and strategic costs incurred by the Company related to renovation incentive to franchisees of $1.6 million and lost EBITDA, from the temporary closure of restaurants during the renovation period, to support major renovations expected to generate long-term SRS increases.
- Operating EBITDA Margin on System Sales[1] before The Keg royalty expense, was 7.1% for the quarter compared to 7.4% in 2018. Operating EBITDA Margin on System Sales[1] before The Keg royalty expense for the 52 weeks ended December 29, 2019 was 6.6% compared to 6.6% in 2018.

Operating EBITDA Margin on System Sales after The Keg royalty expense for the 13 and 52 weeks ended December 29, 2019 was 6.8% and 6.2% compared to 7.0% and 6.3% in 2018, respectively. The change in margin rate was primarily driven by improved franchise contribution margin offset by lower corporate contribution margin. The decreases in the corporate contribution margin were driven by lower system sales and taking back and operating under-performing franchise locations.

- Impairment of assets and lease receivables was $47.6 million and $57.2 million for the 13 and 52 weeks ended December 29, 2019, respectively, as compared to $6.8 million and $8.1 million for the same periods in 2018. These increases were driven primarily by the impact of restructuring certain non-strategic or under-performing corporate and franchise restaurants and providing for anticipated future rent support for franchisees. Restructuring and other expenses were $3.6 million and $6.6 million for the 13 and 52 weeks ended December 29, 2019, respectively, as compared to $8.9 million and $12.3 million for the same periods in 2018, primarily as a result of the Restaurant Portfolio Restructuring. Management believes that the restructuring will have a positive impact on future Operating EBITDA and will contribute to the long-term health and success of the Company.

- Net earnings (loss) was $(1.9) million for the 13 weeks ended December 29, 2019 compared to $9.0 million in 2018, a decrease of $10.9 million for the quarter. The $10.9 million decrease in the quarter was primarily driven by an increase in impairment of assets of $40.7 million and a decrease in Operating EBITDA of $2.8 million, partially offset by a decrease in contingent liabilities of $10.0 million, a decrease in net income tax expense of $10.5 million, a decrease in stock-based compensation of $7.5 million and a decrease in restructuring expense of $5.3 million.

  Net earnings was $43.9 million for the 52 weeks ended December 29, 2019 compared to $73.8 million in 2018, representing a decrease of $29.9 million. The $29.9 million decrease for the year was primarily driven by an increase in impairment of assets of $49.1 million and an increase in depreciation of $13.1 million, partially offset by a decrease in net income tax expense of $13.9 million, a decrease in contingent liabilities of $10.0 million, a decrease in stock-based compensation of $6.2 million and a decrease in restructuring expense of $5.6 million.

- Adjusted Basic Earnings per Share [(1)] ("EPS") for the 13 weeks ended December 29, 2019 was $0.79 compared to $0.55 in 2018, an increase of $0.24 or 44.4%. Adjusted Diluted EPS for the 13 weeks ended December 29, 2019 was $0.77 compared to $0.53 in 2018, an increase of $0.24 or 45.0%.

  Adjusted Basic EPS for the 52 weeks ended December 29, 2019 was $1.76 compared to $1.69 in 2018, an increase of $0.07 or 4.3%. Adjusted Diluted EPS for the 52 weeks ended December 29, 2019 was $1.71 compared to $1.63 in 2018, an increase of $0.08 or 4.8%.

(1) See "Non-IFRS Measures" in the Company's MD&A for definitions of System Sales, SRS Growth, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See "Reconciliation of Net Earnings to EBITDA" and "Reconciliation of Net Earnings to Adjusted Net Earnings" for a reconciliation of Operating EBITDA and Adjusted Net Earnings.

(2) Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" in the Company's MD&A for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Financial Statements of the Company for further details.

	For the 13 weeks ended				For the 52 weeks ended			
(C$ millions unless otherwise stated)	**December 29, 2019**		**December 30, 2018**		**December 29, 2019**		**December 30, 2018**	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Total System Sales	$895.8		$905.4		$3,486.9		$3,415.3	
System Sales Growth[(1)]	(1.1)	%	16.8	%	2.1	%	22.9	%
SRS Growth [(1)(2)(3)]	(2.6)	%	(0.2)	%	(2.3)	%	1.3	%
Total number of restaurants (at period end)	1,373		1,382		1,373		1,382	
Operating EBITDA, excluding The Keg royalty	**$64.0**		**$67.1**		**$230.3**		**$227.0**	
Operating EBITDA Margin on Total System Sales before Keg royalty[(1)]	7.1	%	7.4	%	6.6	%	6.6	%
Operating EBITDA [(1)]	**$60.5**		**$63.3**		**$216.0**		**$214.7**	
Operating EBITDA on System Sales	6.8	%	7.0	%	6.2	%	6.3	%
Corporate restaurant sales	$192.6		$200.5		$772.7		$749.2	
Number of corporate restaurants (at period end)	202		208		202		208	
Contribution from Corporate segment	**$19.3**		**$21.5**		**$75.0**		**$80.5**	
Contribution as a % of corporate sales	10.0	%	10.7	%	9.7	%	10.7	%
Franchise restaurant System Sales	$606.1		$615.3		$2,380.5		$2,362.4	
Number of franchised & JV restaurants	1,171		1,174		1,171		1,174	
Contribution from Franchise segment	**$26.6**		**$26.6**		**$105.1**		**$99.3**	
Contribution as a % of Franchise sales	4.4	%	4.3	%	4.4	%	4.2	%
Retail and Catering sales	$92.3		$85.0		$316.4		$287.8	
Contribution from Retail and Catering	**$13.1**		**$12.5**		**$36.5**		**$34.2**	
Contribution as a % of Retail & Catering sales	14.2	%	14.7	%	11.5	%	11.9	%
Contribution from Central segment (excluding net royalty expense)	**$5.0**		**$6.5**		**$13.7**		**$13.0**	
Contribution as a % of total System Sales	0.6	%	0.7	%	0.4	%	0.4	%
Total gross revenue	$327.0		$328.2		$1,252.5		$1,191.9	
Operating EBITDA Margin on gross revenue	18.5	%	19.3	%	17.2	%	18.0	%
Earnings (loss) before income taxes	**$(6.0)**		**$15.4**		**$60.8**		**$104.6**	
Net earnings (loss)	$(1.9)		$9.0		$43.9		$73.8	
Adjusted Net Earnings[(1)]	$44.8		$34.0		$105.7		$104.2	
EPS attributable to common shareholders of the Company (in dollars)								
Basic EPS (in dollars)	$(0.03)		$0.15		$0.74		$1.20	

Diluted EPS (in dollars)	$(0.03)	$0.14	$0.72	$1.16
Adjusted Basic EPS [1] (in dollars)	**$0.79**	**$0.55**	**$1.76**	**$1.69**
Adjusted Diluted EPS [1] (in dollars)	**$0.77**	**$0.53**	**$1.71**	**$1.63**
Free Cash Flow before growth capex, dividends and NCIB[1]	$44.3	$47.3	$155.9	$158.7
Free cash flow Per Share - Basic (in dollars)	$0.79	$0.77	$2.60	$2.57
Free cash flow Per Share - Diluted (in dollars)	$0.76	$0.74	$2.52	$2.49
Quarterly Dividend declared per share (in dollars)	$0.11	$0.11	$0.45	$0.43

(1) Results from East Side Mario restaurants in the United States are excluded in the System Sales totals and number of restaurants. See "Non-IFRS Measures" in the Company's MD&A for definition of System Sales.
(2) Results from New York Fries located outside of Canada, East Side Mario restaurants in the United States, Casey's restaurants are excluded from SRS Growth. See "Non-IFRS Measures" in the Company's MD&A for definition of SRS Growth.
(3) See "Non-IFRS Measures" in the Company's MD&A for definitions of System Sales, System Sales Growth, SRS Growth, Operating EBITDA, Operating EBITDA Margin, and Operating EBITDA on System Sales.

The Company's audited consolidated financial statements for the 52 weeks ended December 29, 2019 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Outlook

Management provides the following comments regarding its strategies and initiatives:

- *Free Cash Flow* — The Company generates significant Operating EBITDA and Free Cash Flow[1] which provides the Company with stable and recurring earnings to fund growth and to enhance shareholder returns. Free Cash Flow before growth capex, dividends, and share repurchases under the Company's NCIB for the 52 weeks ended December 29, 2019 was $155.9 million and Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis was $2.52 for the 52 weeks ended December 29, 2019 compared to$2.49 in 2018.

  As at December 29, 2019, the Company had 56,378,425 shares outstanding compared to 61,755,594, as at December 30, 2018, a decrease of 5,377,169 shares that will increase Free Cash Flow and Earnings per share on a go forward basis.

  At December 29, 2019, the Company's Debt to EBITDA ratio was 2.2x. The Company's strong balance sheet and strong Free Cash Flow will enable the Company to continue to strategically invest in its business despite challenging market conditions. Management will continue to:

  - invest in corporate restaurant renovations;
  - support franchisees including restaurant renovation incentive programs;
  - invest in initiatives to support our 4-pillar operations plan including training and technology applications;
  - invest in our new Project 2030 initiative, an ambitious program that seeks to transform aspects of our restaurant operations, so that we profitably meet the needs of both the consumer of today and the consumer of tomorrow;
  - make extra contributions to franchisee marketing funds where appropriate;
  - continue to evaluate alternatives for capital deployment including growth investments in delivery, and strategic acquisitions; and
  - enhance shareholder returns through dividends and share buybacks including purchases of KRIF units.

- *Total Operating* EBITDA — Before the impact from the net royalty to KRIF, Total Operating EBITDA margin was 7.1% for the quarter compared to 7.4% in 2018. The combined contributions from Corporate, Franchise, Retail and Catering, and Central segments resulted in Total Operating EBITDA margin of 6.8% for the quarter compared to 7.0% in 2018. Management's focus will continue to be on improving the earnings efficiency of our assets and our increased sales base to grow Operating EBITDA as a percentage of System Sales. We also expect Operating EBITDA to improve from restructuring and closing non-strategic and under-performing restaurants and from the impairments taken in 2019.

- *Corporate restaurant profitability* — Corporate restaurant profitability for the 13 weeks ended December 29, 2019 was 10.0% compared to 10.7% in the fourth quarter of 2018. The decline in the quarter was mostly from taking back under-performing franchise restaurants. Management believes that corporate restaurant profitability will improve as the 4-pillar strategy focus on Food, Service, Ambiance, and Value for the Experience progresses and the Company executes the planned restructuring and closure of non-strategic and under-performing restaurants.

- *Franchise segment* —Franchise contribution as a percentage of franchise sales has improved to 4.4% in the quarter compared to 4.3% in 2018. The increase is primarily related to improvement to quality of sales due to the ongoing practice to open new franchise restaurants at the standard royalty rate while closing or taking back under-performing previously subsidized locations. Management believes the effective royalty recovery rate will gradually increase over time closer to 5% as the Company adds new franchisees, renews existing locations at the standard royalty rate, and exits under-performing locations.

- *Retail and catering* — Contribution from the retail and catering segment were$13.1 million or 14.2% as a percentage of sales in the quarter compared to $12.5 million or 14.7% in 2018. A new pie production line was added in the third quarter 2018 which has increased production capacity and enabled the Company to meet the increased demand for its St-Hubert and Swiss Chalet frozen pie products with less reliance on higher cost third party producers. A new rib line was added in the fourth quarter of 2019 to increase its rib production capacity to meet demand as well as support the launch of Montana's ribs in grocery. Since the acquisition of St-Hubert in 2016, the Company has successfully launched a number of products, including Swiss Chalet ribs and pot pies, and Montana's ribs across the country in grocery chains. Management continues to pursue the launch of several more Recipe branded retail products to expand its retail presence in national grocery chains.

- *Growth, acquisitions and share buy-backs* —The Company currently has a net debt to EBITDA ratio of approximately 2.2x compared to 1.7x at the end of Q4 2018. At this debt level, and with strong and stable recurring cash flows from operations, the Company has the ability to consider more growth opportunities, including acquisitions, while continuing to reduce its debt, and by opportunistically repurchasing its subordinate voting shares for cancellation under the NCIB and purchase of KRIF units. During the 52 weeks ended December 29, 2019, the Company purchased and cancelled

5,952,500 Subordinate Voting Shares for $160.7 million under the Company's NCIB and SIB programs and purchased 250,000 units in KRIF. In addition, the Company's new financing structure positions Recipe for strategic and opportunistic growth at long-term favourable borrowing rates and credit terms.

The foregoing description of Recipe's outlook is based on management's current strategies and its assessment of the outlook for the business and the Canadian Restaurant Industry as a whole and may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation, which involve known and unknown risks, uncertainties and other factors that may cause actual results to vary. A description of the risks and uncertainties that impact the Company's business are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form dated March 29, 2019, available on SEDAR. See "Forward Looking Information."

Non-IFRS Measures

These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales", "SRS Growth", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "Adjusted Net Earnings", "Adjusted Basic EPS", and "Adjusted Diluted EPS", and "Free Cash Flow" to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

"**System Sales**" represents top-line sales from restaurant guests at both corporate and franchise restaurants including take-out and delivery customer orders. System Sales includes sales from both established restaurants as well as new restaurants. System sales also includes sales received from its food processing and distribution division. Management believes System Sales provides meaningful information to investors regarding the size of Recipe's restaurant network, the total market share of the Company's brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Recipe's consolidated financial performance.

"**System Sales Growth**" is a metric used in the restaurant industry to compare System Sales over a certain period of time, such as a fiscal quarter, for the current period against System Sales in the same period in the previous year.

"**SRS Growth**" is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Recipe defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Recipe's SRS Growth results excludes Casey's restaurants as the Company is in the process of winding down its operations; and sales from international operations from 41 New York Fries and 3 East Side Mario's.

"**EBITDA**" is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain.

"**Operating EBITDA**" is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain; (v) impairment of assets, net of reversals; (vi) losses on early buyout / cancellation of equipment rental contracts; (vii) restructuring and other; (viii) conversion fees; (ix) net (gain) / loss on disposal of property, plant and equipment; * stock based compensation, costs related to its restricted share units, and one-time cash payments related to the exercise and settlement of stock options; (xi) changes in onerous contract provision; (xii) expense impact from fair value inventory adjustment resulting from the St-Hubert purchase relating to inventory sold during the period; (xiii) acquisition related transaction costs; (xiv) change in fair value of non-controlling interest liability; (xv) change in fair value of Exchangeable Partnership units; (xvi) the Company's proportionate share of equity accounted investment in joint ventures; (xvii) interest income from the Partnership units; and the rent expense impact related to the implementation of IFRS 16, "Leases".

"**Operating EBITDA Margin**" is defined as Operating EBITDA divided by total gross revenue.

"**Operating EBITDA Margin on System Sales**" is defined as Operating EBITDA divided by System Sales.

"**Free Cash Flow before capex, dividends and NCIB**" is defined as Operating EBITDA less (i) cash interest paid; (ii) maintenance capex; and (iii) cash taxes paid.

"**Free Cash Flow after capex, dividends and NCIB**" is defined as Operating EBITDA less (i) cash interest paid; (ii) maintenance capex; (iii) cash taxes paid; (iv) growth capex; (vi) dividends paid; (vi) shares repurchased under the NCIB; and (vii) proceeds from sale of assets.

"**Adjusted Net Earnings**" is defined as net earnings plus (i) change in fair value of non-controlling interest liability; (ii) change in fair value of Exchangeable Partnership units; (iii) one-time transaction costs; (iv) non-cash impairment charges; (v) restructuring and other; (vi) amortization of unearned conversion fees income; (vii) losses on early buyout/cancellation of equipment rental contracts; (viii) net gain on disposal of property, plant and equipment and other assets; and (ix) write-off of deferred financing fees.

"**Adjusted Basic EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding.

"**Adjusted Diluted EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding plus the dilutive effect of stock options and RSUs.

Forward-Looking Information

The financial performance of the Company is subject to a number of factors that affect the commercial food service industry generally and the full-service restaurant and limited-service restaurant segments of this industry in particular. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. There are many well-established competitors, including those with greater financial and other resources than the Company. Competitors include national and regional chains, as well as numerous individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual dining segment of this industry in which many of the Company's restaurants operate. Some of the Company's competitors may have restaurant brands with longer operating histories or may be better established in markets where the Company's restaurants are located or may be located. If the Company is unable to successfully compete in the segments of the Canadian Restaurant industry in which it operates, the financial condition and results of operations of the Company may be adversely affected.

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a restaurant concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the Company.

The Company's audited consolidated financial statements for the 52 weeks ended December 29, 2019 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Related Communications

Frank Hennessey, Chief Executive Officer and Ken Grondin, Chief Financial Officer, will hold an investor conference call to discuss 2019 fourth quarter results at 9:00 am Eastern Time on Friday March 6, 2020.

To access the call, please call (647) 427-7450 or 1-888-231-8191, five to ten minutes prior to the start time. The Conference ID is 8848247. A telephone replay of the call will be available until midnight on April 18, 2020. To access the replay, please dial (416) 849-0833 or 1-855-859-2056 and enter passcode 8848247.

About Recipe

Founded in 1883, RECIPE Unlimited Corporation is Canada's oldest and largest full-service restaurant company. The Company franchises and/or operates some of the most recognized brands in the country including Swiss Chalet, Harvey's, St-Hubert, The Keg, Milestones, Montana's, Kelsey's, East Side Mario's, New York Fries, Prime Pubs, Bier Markt, Landing, Original Joe's, State & Main, Elephant & Castle, The Burger's Priest, The Pickle Barrel, Marigolds & Onions, and 1909 Taverne Moderne.

RECIPE's iconic brands have established the organization as a nationally recognized franchisor of choice. As at December 29, 2019, Recipe had 24 brands and 1,373 restaurants, 85% of which are operated by franchisees and joint venture partners, operating in 11 countries (Canada, USA, Bahrain, China, India, Macao, Oman, Panama, Qatar, Saudi Arabia and the UAE. RECIPE's shares trade on the Toronto Stock Exchange under the ticker symbol RECP. More information about the Company is available at www.recipeunlimited.com.

SOURCE Recipe Unlimited Corp.

For further information: Investor Relations: Recipe Unlimited Corp., Ken Grondin, (905) 760-2244, Chief Financial Officer, Email: kgrondin@recipeunlimited.com or investorrelations@recipeunlimited.com