Cara Operations Limited Reports Second Quarter 2015 Results – Operating EBITDA grows 29.1%, Net Income increases by 268% and SRS up 3.2%

VAUGHAN, ON, August 11, 2015 /CNW/ Cara today announced results for the second quarter ending June 28, 2015.

"We had a solid second quarter and are pleased with our year to date results," said Bill Gregson, Chief Executive Officer.

"Total Same Restaurant Sales (SRS) grew 3.2% in the quarter, representing 6 consecutive quarters of positive growth. Total System Sales growth of $19.2 million (4.6%), particularly in our premium corporate brands, coupled with strong labour management and cost containment initiatives, drove a 29.1% improvement in Operating EBITDA compared to the same quarter last year.

In the second quarter, Cara raised $230.1 million through its Initial Public Offering which allowed us to significantly reduce our debt and interest costs and helped drive a 268% increase in net earnings compared to the second quarter of 2014."

Second quarter Financial and Operational Highlights:

- System Sales grew $19.2 million to $437.0 million for the 13 weeks ended June 28, 2015 as compared to the 13 weeks ended July 1, 2014, representing an increase of 4.6%. System Sales grew $38.5 million to $866.0 million for the 26 weeks ended June 28, 2015 as compared to the same period in the prior year, representing an increase of 4.7%;
- Same Restaurant Sales ("SRS") Growth was 3.2% in the second quarter, representing 6 straight quarters of positive SRS Growth;
- Operating EBITDA increased 29.1% to $28.4 million during the 13 weeks ended June 28, 2015 and increased 33.9% to $53.3 million during the 26 weeks ended June 28, 2015 compared to the same periods in the prior year;
- Operating EBITDA Margin on System Sales increased to 6.5% for the 13 weeks ended June 28, 2015 compared to 5.3% for the same period in 2014. Year to date, Operating EBITDA Margin on System Sales increased to 6.2% compared to 4.8% in 2014;
- Net earnings increased $11.6 million to $15.9 million for the 13 weeks ended June 28, 2015, an increase of 268% compared to 2014. Year to date net earnings increased $14.5 million to $22.2 million, an increase of 190%;
- Successfully completed an Initial Public Offering (the "Offering") and raised gross proceeds of $230.1 million through the issuance of 10,005,000 subordinated voting shares at a price of $23.00 per share;
- As part of the Offering, the Company repaid the subordinated debentures and the preferred shares and warrants were surrendered and converted into common shares in conjunction with a cashless warrant exercise;

- Reduced debt by $234.6 million during the quarter with the proceeds from the Offering and with cash from operations; and amended and extended the Company's term credit facility at reduced interest rates;
- Purchased the remaining 45% of the Landing Group; and,
- Declared a quarterly dividend of $0.0917 per share on its outstanding subordinate voting shares and multiple voting shares, or approximately $4.5 million in the aggregate, representing a pro-rated expected aggregate annual dividend of $20.0 million, for the period beginning on April 10, 2015 (the closing date of the Company's initial public offering) and ending June 30, 2015.

	For the 13 weeks ended		For the 26 weeks ended	
($ millions unless otherwise stated)(1)	**June 28, 2015**	**July 1, 2014**	**June 28, 2015**	**July 1, 2014**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total System Sales from continuing operations	$437.0	$417.8	$866.0	$827.5
Total System Sales Growth	4.6%	25.5%	4.7%	25.7%
SRS Growth	3.2%	0.3%	3.2%	1.1%
Number of restaurants (at period end)	827	837	827	837
Corporate restaurant sales	$60.6	$49.9	$113.7	$94.6
Number of corporate restaurants	92	83	92	83
Contribution from Corporate segment	$8.1	$2.8	$12.0	$3.8
Contribution as a % of corporate sales	13.3%	5.7%	10.5%	4.0%
Franchise restaurant sales	$376.4	$367.8	$752.2	$732.8
Number of franchised restaurants	735	752	735	752
Contribution from Franchise segment	$14.7	$12.9	$29.7	$25.7
Contribution as a % of Franchise sales	3.9%	3.5%	3.9%	3.5%
Contribution from Central segment	$5.6	$6.3	$11.7	$10.2
Contribution as a % of Total System Sales	1.3%	1.5%	1.3%	1.2%
Total gross revenue from continuing operations	$80.9	$69.4	$156.6	$134.1
Operating EBITDA	$28.4	$22.0	$53.3	$39.8
Operating EBITDA Margin	35.1%	31.7%	34.0%	29.7%
Operating EBITDA Margin on Total System Sales	6.5%	5.3%	6.2%	4.8%
Net earnings	$15.9	$4.3	$22.2	$7.7
Earnings per share from continuing operations attributable to common shareholders (in dollars)(2)				
Basic	$0.341	$0.242	$0.690	$0.435
Diluted	$0.307	$0.231	$0.507	$0.416
Dividends Declared (in dollars)(3)				
Common shares	$ -	$ -	$0.060	$ -
Cash Dividend on Class A Preferred Share Liabilities	$ -	$ -	$0.058	$ -
Cash Dividend on Class B Preferred Share Liabilities	$ -	$ -	$0.096	$ -

(1) Results from four restaurants in the United States are excluded in System Sales totals, SRS Growth and number of restaurants.

(2) Amounts per share give effect on a retrospective basis for the 2.79 to 1 share consolidation for common shares outstanding at April 10, 2015, that took place as part of the Offering.

(3) Amounts based on shares outstanding prior to share consolidation resulting from the Offering.

The Company's unaudited interim consolidated financial statements for the thirteen weeks ended June 28, 2015 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Outlook

Management is pleased with the positive results in the first half of the year. The continued System Sales increases, SRS Growth, and cost reductions have resulted in increases in Operating EBITDA and improved contribution margins in all segments. Despite progress in the year to date, management remains cautious on the Canadian economy and its potential impact on restaurant sales stemming from challenges in western Canada, the upcoming significant minimum wage increases in Alberta, and weakness in the Canadian dollar. With respect to 2015, Management provides the following comments:

- *System Sales and SRS Growth* — Management is satisfied with overall System Sales growth of 4.6% and SRS Growth of 3.2% for the first half of the year and continues to focus on building momentum and long-term sales growth through its various initiatives across all its brands. While sales in the western provinces represent a smaller percentage of Cara's total System Sales, management is launching targeted marketing programs in the third quarter to combat the economic slowdowns in the west. The Company will also be launching cross promotional programs with Scene and the Canadian Automobile Association ("CAA") in the second half of the year.

- *Restaurant Count* — While net restaurant count decreased during the quarter, management is targeting to achieve 14 net new restaurants in 2015 with 24 net new openings scheduled in the second half of 2015. The Company's pipeline for new restaurants includes opportunities to achieve 30-50 net new openings per year starting in 2016.

- *Corporate restaurant profitability* — Corporate restaurant profitability improved during the quarter to 13.3% of corporate sales from 5.7% in the second quarter of 2014 and from 7.3% in the first quarter of 2015. Management is pleased with the increase in profitability which is primarily related to strong Landing and Bier Markt restaurant contribution and the reduction in food costs and labour costs. Management continues to focus on cost reduction opportunities and is evaluating the impact of minimum wage increases and increased food input costs, especially in Alberta. Long term, the opportunity remains for higher corporate contribution by adding more Bier Markts, Landings and select Milestones as we change the mix of our corporate restaurants to higher volume, higher margin restaurant concepts.

- *Franchise segment* — Year to date franchise contribution as a percentage of franchise sales improved from 3.5% in 2014 to 3.9% reflecting less assistance provided to its franchise network. Year to date, Cara reduced the number of restaurants receiving assistance by 26 restaurants to 178 restaurants from a total of 203 at December 30, 2014 and 189 at the end of the first quarter of 2015.

- *Central segment* — Going forward as the run rate for central expenses normalizes, the improvements in the central contribution rate will be driven by growing sales faster than head office expenses and by expanding our off premise business.

- *Total Operating EBITDA* — Year to date, the combined contributions from the Corporate, Franchise and Central segments resulted in Total Operating EBITDA margin of 6.2% as a percentage of total System Sales compared to 4.8% in 2014. The Company will continue to work on all three segments to increase Total Operating EBITDA in relation to Total System Sales.

- *Improved net income and cash available* — As a result of the IPO, the Company significantly reduced debt which will decrease total interest and finance costs in future periods. Additionally, the conversion of the preferred shares into common shares will reduce dividend requirements and will reduce taxes related to these dividends, all of which will improve net income, EPS and cash available for growth in future periods.

- The purchase of the remaining 45% of the Landing Group enables Cara to fully integrate the Landing restaurants and leadership, and to accelerate Landing growth strategies.

Overall, Management is satisfied with the positive results and improvements achieved in year to date and believes that the benefits from the IPO will provide more available cash and credit capacity to position the Company for growth.

The foregoing description of Cara'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, may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "Forward-Looking Information" and "Risk Factors" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Dividend

Pursuant to its previously announced dividend policy, the board of directors (the "Board") today declared a quarterly dividend of $0.0917 per share on its outstanding subordinate voting shares and multiple voting shares, or approximately $4.5 million in the aggregate, representing a pro-rated expected aggregate annual dividend of $20.0 million, for the period beginning on April 10, 2015 (the closing date of the Company's initial public offering) and ending June 30, 2015.

Payment of the dividend will be made on September 15, 2015 to shareholders of record at the close of business on August 31, 2015.

Cara offers a Dividend Reinvestment Plan ("DRIP" or the "Plan') to any registered or beneficial holder of its subordinate voting shares and multiple voting shares who is a resident of Canada. The Dividend Reinvestment Plan enables shareholders to acquire additional subordinate voting shares from Cara by reinvesting all of their cash dividends. The shares will be issued at a discount from the market price of the shares. The purchase price discount has initially been set at 3%.

A registered shareholder may enroll in the Plan by completing an Enrollment Form and returning it to Valiant Trust Company, the Administrator. A completed Enrollment Form must be received by the Administrator no later than 5:00 pm (EDT) on August 24, 2015 in order for the second quarter dividend to be reinvested under the Plan.

To obtain an Enrollment Form, please contact Valiant Trust Company at 1-866-313-1872.

Beneficial holders (persons who use a broker or other intermediary to hold their shares) may also participate in the Plan by (i) directing their broker to electronically transfer all or any number of whole shares into the holder's name and then enrolling in the Plan as a registered holder or (ii) making appropriate arrangements with the broker or other intermediary who holds the shares to enroll in the Plan on their behalf.

A complete copy of the DRIP is available on the Investor Relations website at www.cara.com. Shareholders should carefully read the complete text of the DRIP before making any decisions regarding their participation in the DRIP.

Non-IFRS Measures

This press release makes reference to certain 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", "Operating EBITDA", "Operating EBITDA Margin", and "Adjusted basic EPS" 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 received 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. Management believes System Sales provides meaningful information to investors regarding the size of Cara's restaurant network, the total market share of the Company's brands and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Cara'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. Cara 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. Cara's SRS Growth results exclude its United States operations which are comprised of four restaurants.

"EBITDA" is defined as net earnings (loss) from continuing operations before: (i) net interest expense and other financing charges; (ii) loss (gain) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; and (vii) impairment of assets, net of reversals.

"Operating EBITDA" is defined as net earnings (loss) from continuing operations before: (i) net interest expense and other financing charges; (ii) gain (loss) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; (vii) impairment of assets, net of reversals; (viii) losses on early buyout / cancellation of equipment rental contracts; (ix) restructuring; (x) conversion fees; (xi) net (gain) / loss on disposal of property, plant and equipment; (xii) stock based compensation; (xiii) change in onerous contract provision; and (xiv) lease costs and tenant inducement amortization.

"Operating EBITDA Margin" is defined as Operating EBITDA divided by total gross revenue from continuing operations.

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

Forward-Looking Information

Certain statements in this press release may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this press release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including SRS Growth, System Sales Growth, increases in net income, Operating EBITDA and Operating EBITDA Margin on System Sales (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; (e) risk of future legal proceedings against the Company. These risk factors and others are discussed in detail under the heading "Risk Factors" in the Company's long form prospectus dated March 31, 2015. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release.

Related Communications

Bill Gregson, Chief Executive Officer and Ken Grondin, Chief Financial Officer, will hold an investor conference call to discuss 2015 second quarter results at 9:00 am Eastern Time on Wednesday, August 12th. Investors and the public may participate in the conference call by:

Phone: The dial-in number is (647) 427-7450 or (888) 231-8191. No access code is required. A replay of the call will be available until midnight on September 12, 2015 and can be accessed by calling (416) 849-0833 or (855) 859-2056. The password for the replay of the call is 85024843.

About CARA

Founded in 1883, Cara 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, Milestones, Montana's, Kelsey's, East Side Mario's, Casey's, Prime Pubs, Bier Markt and Landing restaurants. As at June 28, 2015, Cara had 827 restaurants across Canada, 89% of which are operated by franchisees. Cara's restaurants are located across Canada with 72% of Cara's locations based in Ontario. Cara's shares trade on the Toronto Stock Exchange under the ticker symbol *CAO*. More information about the Company is available at www.cara.com.

INVESTOR RELATIONS:

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