Cara Operations Limited Reports Third Quarter 2015 Results – Operating EBITDA grows 33.2%, Net Income increases by 773% and SRS up 1.9%

VAUGHAN, ON, November 11, 2015 /CNW/ Cara today announced results for the third quarter ending September 27, 2015.

"We had another solid quarter contributing to what we consider to be strong year-to-date results," said Bill Gregson, Chief Executive Officer. "Total Same Restaurant Sales (SRS) grew 1.9% in the third quarter and 2.7% on a year-to-date basis, which is within our target range of 2.5% to 4.0%. We continue our trend of 7 consecutive quarters of positive year-over-year growth".

"Cara's Total System Sales growth of 2.6%, coupled with continued cost containment at the corporate restaurant level, drove a meaningful improvement in Operating EBITDA compared to the same quarter last year."

Third Quarter Financial and Operational Highlights:

- System Sales grew $11.3 million to $438.6 million for the 13 weeks ended September 27, 2015 as compared to the 13 weeks ended September 30, 2014, representing an increase of 2.6%. Year to date, System Sales grew $49.8 million to $1,304.6 million for the 39 weeks ended September 27, 2015 as compared to the same period in the prior year, representing an increase of 4.0%;

- Same Restaurant Sales ("SRS") Growth was 1.9% in the third quarter, representing 7 straight quarters of positive SRS Growth;

- Operating EBITDA increased 33.2% to $28.9 million during the 13 weeks ended September 27, 2015 and increased 33.7% to $82.2 million during the 39 weeks ended September 27, 2015 compared to the same periods in the prior year;

- Operating EBITDA Margin on System Sales increased to 6.6% for the 13 weeks ended September 27, 2015 compared to 5.1% for the same period in 2014. Year to date 2015, Operating EBITDA Margin on System Sales increased to 6.3% compared to 4.9% in 2014;

- Net earnings increased $17.0 million to $19.2 million for the 13 weeks ended September 27, 2015, an increase of 773% compared to 2014. Year to date 2015 net earnings increased $31.5 million to $41.4 million, an increase of 318%, over 2014.

- On August 31, 2015, the Company announced the acquisition of 100% interest in New York Fries from 122164 Canada Ltd. Subsequent to the quarter, on October 31, 2015, the Company completed the acquisition which was funded by Cara's existing credit facility. New York Fries consists of approximately 120 locations in Canada and another 36 abroad of which 140 locations are franchised and 16 are corporately owned and operated.

- Subsequent to quarter end, on November 11, 2015, the Company's Board of Directors declared a dividend of $0.10172 per share on its outstanding subordinate voting shares and multiple voting shares, or approximately $5.0 million in aggregate, representing an expected annual dividend of $20.0 million. Payment of the dividend will be made on December 15, 2015 to shareholders of record at the close of business on November 30, 2015.

	For the 13 weeks ended		For the 39 weeks ended	
($ millions unless otherwise stated)(1)	Sept. 27, 2015	Sept. 30, 2014	Sept. 27, 2015	Sept. 30, 2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total System Sales from continuing operations	$438.6	$427.3	$1,304.6	$1,254.8
Total System Sales Growth	2.6%	29.5%	4.0%	26.9%
SRS Growth	1.9%	2.6%	2.7%	1.8%
Number of restaurants (at period end)	828	834	828	834
Corporate restaurant sales	$63.4	$52.3	$177.2	$146.9
Number of corporate restaurants	96	86	96	86
Contribution from Corporate segment	$7.9	$3.8	$20.0	$7.6
Contribution as a % of corporate sales	12.4%	7.3%	11.3%	5.2%
Franchise restaurant sales	$375.2	$375.1	$1,127.5	$1,107.9
Number of franchised restaurants	732	748	732	748
Contribution from Franchise segment	$14.6	$14.3	$44.3	$40.0
Contribution as a % of Franchise sales	3.9%	3.8%	3.9%	3.6%
Contribution from Central segment	$6.4	$3.6	$18.0	$13.8
Contribution as a % of Total System Sales	1.5%	0.8%	1.4%	1.1%
Total gross revenue from continuing operations	$85.7	$72.3	$242.3	$206.4
Operating EBITDA	$28.9	$21.7	$82.2	$61.5
Operating EBITDA Margin	33.7%	30.0%	33.9%	29.8%
Operating EBITDA Margin on Total System Sales	6.6%	5.1%	6.3%	4.9%
Net earnings	$19.2	$2.2	$41.4	$9.9
Earnings per share from continuing operations attributable to common shareholders (in dollars)(2)				
Basic	$0.388	$0.115	$1.091	$0.551
Diluted	$0.360	$0.077	$0.887	$0.457
Dividends Declared (in dollars)(3)				
Subordinate and Multiple Voting Shares	$0.0917	-	$0.0917	-
Common shares	-	-	$0.0600	-
Cash Dividend on Class A Preferred Share Liabilities	-	-	$0.0580	-
Cash Dividend on Class B Preferred Share Liabilities	-	-	$0.0960	-

(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 13 and 39 weeks ended September 27, 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 three quarters 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 year to date progress, 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* — SRS Growth of 1.9% in the third quarter fell below Management's expectations due to weaker restaurant sales in the western provinces and media plans that did not deliver the desired results. Management plans to change its approach for certain brands for the third quarter of 2016 to include marketing programs that will be more impactful. Overall, Management is satisfied with 2015 year to date System Sales growth of 4.0% and SRS Growth of 2.7%, and will continue 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 continuing with targeted marketing programs in the western provinces to combat the economic slowdowns in the west. The Company launched cross promotional programs with Scene at the end of the third quarter and will be launching programs with the Canadian Automobile Association ("CAA") in the fourth quarter.

- *Restaurant Count* — Management is targeting to achieve 14 net new restaurants in 2015 with 23 net new openings scheduled in the fourth quarter. 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 12.8% of corporate sales from 7.3% in the third quarter of 2014. Year to date, corporate restaurant profitability is 11.4% as compared to 5.2% in 2014. 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. 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 3.6% in 2014 to 3.9% in 2015 reflecting less assistance provided to its franchise network. Year to date, Cara reduced the number of restaurants receiving assistance by 34 restaurants to 170 restaurants from a total of 204 at December 30, 2014 and from 178 at the end of the second 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 6.3% as a percentage of total System Sales compared to 4.9% 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 has decreased total interest and finance costs in the third quarter. Additionally, the conversion of the preferred shares to 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.

Overall, Management is satisfied with the positive results and improvements achieved 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 dividend of $0.10172 per share on its outstanding subordinate voting shares and multiple voting shares, or approximately $5.0 million in aggregate, representing an expected annual dividend of $20.0 million.

Payment of the dividend will be made on December 15, 2015 to shareholders of record at the close of business on November 30, 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 Computershare, the Administrator. A completed Enrollment Form must be received by the Administrator no later than 5:00 pm (EDT) on November 23, 2015 in order for the third quarter dividend to be reinvested under the Plan.

To obtain an Enrollment Form, please contact Computershare at 1-800-564-6253.

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", and "Operating EBITDA Margin", 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 third quarter results at 9:00 am Eastern Time on Thursday, November 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 December 9, 2015 and can be accessed by calling (416) 849-0833 or (855) 859-2056. The password for the replay of the call is 50902567.

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, New York Fries, Prime Pubs, Bier Markt and Landing restaurants. As at September 27, 2015, Cara had 828 restaurants across Canada, 88% 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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