

## **Cara Operations Limited Reports First Quarter 2015 Results – Operating EBITDA grows 39.9%, Net Income increases by 87.9% and SRS up 3.3%**

Cara today announced results for the first quarter ended March 29, 2015.

“2015 is an exciting year for Cara as we became a public Company on April 10<sup>th</sup> and are now pleased to announce our first quarter results,” commented Cara’s Chief Executive Officer, Bill Gregson.

“We are happy to see the momentum we gained in 2014 continue into 2015. Total same restaurant sales growth (SRS) of 3.3% was delivered in the quarter, representing 5 consecutive quarters of positive growth. Total System Sales Growth of \$20.4 million (5.0%) from existing and net new restaurants, coupled with on-going cost containment efforts translated to an improved Operating EBITDA at 5.8% of first quarter System Sales. First quarter Operating EBITDA increased by \$7.1 million or 39.9%, compared to the same quarter in 2014. While we are cautious on the Canadian economy, we are encouraged by our progress through the quarter across each of Cara’s three segments: Corporate Restaurants, Franchise Operations and Central Operations.”

### **First quarter Financial and Operational Highlights:**

- System Sales grew \$20.4 million or 5.0% to \$430.1 million from the first quarter of 2014;
- Achieved Same Restaurant Sales (“SRS”) Growth of 3.3%, representing 5 straight quarters of positive SRS Growth;
- Net earnings increased 87.9% to \$6.2 million from \$3.3 million in 2014, an increase of \$2.9 million;
- Operating EBITDA increased 39.9% to \$24.9 million compared to \$17.8 million in the first quarter of 2014; and
- Operating EBITDA Margin on System Sales increased to 5.8% compared to 4.3% in the first quarter of 2014.

(\$ millions unless otherwise stated) <sup>(1)</sup>	First quarter ended	
	March 29, 2015	April 1, 2014
	(unaudited)	(unaudited)
Total System Sales from continuing operations .....	\$430.1	\$409.7
Total System Sales Growth .....	5.0%	26.6%
SRS Growth .....	3.3%	2.4%
Number of restaurants (at period end) .....	834	838
Corporate restaurant sales .....	\$53.1	\$44.7
Number of corporate restaurants .....	92	82
Contribution from Corporate segment .....	\$3.9	\$1.0
Contribution as a % of corporate sales .....	7.4%	2.2%
Franchise restaurant sales .....	\$377.0	\$365.0
Number of franchised restaurants .....	742	756
Contribution from Franchise segment .....	\$14.9	\$12.9
Contribution as a % of Franchise sales .....	4.0%	3.5%
Contribution from Central segment .....	\$6.1	\$3.9
Contribution as a % of Total System Sales .....	1.4%	1.0%
Total gross revenue from continuing operations .....	\$75.7	\$64.7
Operating EBITDA .....	\$24.9	\$17.8
Operating EBITDA Margin .....	32.9%	27.5%
Operating EBITDA Margin on Total System Sales .....	5.8%	4.3%
Net Earnings.....	\$6.2	\$3.3
Earnings per share from continuing operations attributable to common shareholders (in dollars) <sup>(2)</sup>		
Basic .....	\$0.349	\$0.193
Diluted .....	\$0.173	\$0.184
Adjusted basic EPS <sup>(3)</sup> .....	\$0.129	

(1) Results from four restaurants in the United States are included in System Sales totals but excluded from SRS Growth and restaurant count.

(2) After giving effect on a retrospective basis for the 2.79 to 1 share consolidation for common shares outstanding as at March 29, 2015, resulting from the Offering subsequent to quarter end.

(3) Defined as net earnings from continuing operations attributable to common shareholders divided by 48,939,155 multiple voting and subordinate common shares outstanding at May 12, 2015, representing shares outstanding post Offering

The Company's unaudited interim consolidated financial statements for the thirteen weeks ended March 29, 2015 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Outlook

Management is pleased with the positive results in the first quarter. 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 first quarter, management remains cautious on the Canadian economy and its potential impact on restaurant sales stemming from challenges in commodity price sensitive markets 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 \$20.4 million and SRS Growth of 3.3% for the first quarter and continues to focus on building momentum and long-term sales growth through its various initiatives across all its brands. The Company expects to commence testing of the SCENE card in the second quarter in one of its brands and has entered into discussions with the Canadian Automobile Association (“CAA”) for cross promotional programs that are expected to be tested and launched in the second half of the year.
- *Restaurant Count* — While net restaurant count decreased during the quarter, management is confident it will achieve 14 net new restaurants in 2015. New restaurant construction and related openings are generally slower during the winter months and increase during the third and fourth quarters.
- *Corporate restaurant profitability* — Corporate restaurant profitability improved during the quarter to 7.4% of corporate sales from 2.2% in the first quarter of 2014. We are happy with the increase in profitability which is primarily related to the Landing restaurant contribution in 2015 and the reduction in food and labour costs as a result of the improved management tools and disciplines, and improved vendor terms in Cara restaurants compared to 2014. Long term, the opportunity remains with adding more Bier Markts, Landing restaurants and select Milestones to change the mix of our current corporate restaurant make up.
- *Franchise segment* — Franchise contribution as a percentage of franchise sales improved during the quarter to 4.0% from 3.5% in the first quarter of 2014 reflecting less assistance provided to its franchise network. During the quarter, Cara reduced the number of restaurants receiving assistance by 14 restaurants to 189 restaurants from a total of 203 at December 30, 2014.
- *Central segment* — Going forward as the run rate for central expenses normalizes, the improvements in the central rate will be driven by growing sales faster than head office expenses and by expanding our off premise business.
- *Total Operating EBITDA* — The combined contributions from the Corporate, Franchise and Central segments resulted in Total Operating EBITDA margin of 5.8% on first quarter total System Sales. The Company will continue to work on all three segments to increase Total Operating EBITDA.

- *Reduction of finance costs* — The reduction of the Company’s debt in the second quarter of 2015 as a result of the successful IPO will significantly reduce interest and finance costs in future quarters.
- *Improved net income and cash available* — The impact of the IPO will decrease total interest and finance costs, and reduce taxes related to 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 in the first quarter and believes that the benefits from the IPO will provide more available cash and credit capacity to position the Company for growth.

### **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) income taxes; (iv) depreciation of property, plant and equipment; (v) amortization of other assets; and (vi) 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) income taxes; (iv) depreciation of property, plant and equipment; (v) amortization of other assets; (vi) impairment of assets, net of reversals; (vii) losses on early buyout / cancellation of equipment rental contracts; (viii) restructuring; (ix) conversion fees; (x) net (gain) / loss on disposal of property, plant and equipment; (xi) stock based compensation; (xii) change in onerous contract provision; and (xiii) 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.

"Adjusted basic EPS" is defined as net earnings from continuing operations attributable to common shareholders divided by 48,939,155 multiple voting and subordinate common shares outstanding at May 12, 2015, representing shares outstanding post Offering.

### **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, will hold an investor conference call to discuss 2015 first quarter results at 9:00 am Eastern Time on Wednesday May 13<sup>th</sup>. Investors and the public may participate in the conference call by:

Phone: The dial-in number is (647) 427-7450 or 1-888-231-8191. No access code is required. A replay of the call will be available until midnight on June 10, 2015 and can be accessed by calling (416) 849-0833 or 1-855-859-2056. The password for the replay of the call is 42190804.

### **About CARA**

Founded in 1883, Cara is Canada's oldest and largest full-service restaurant company. The Company franchises and/or operates restaurant brands including Harvey's, Swiss Chalet, Kelsey's, East Side Mario's, Montana's, Milestones, Prime Pubs, Casey's, Bier Markt, and Landing restaurants. As at March 29, 2015, Cara had 834 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. More information about the Company is available at [www.cara.com](http://www.cara.com).

### **INVESTOR RELATIONS:**

Cara Operations Limited  
Ken Grondin, (905) 760-2244  
Chief Financial Officer

Email: [kgrondin@cara.com](mailto:kgrondin@cara.com) or [investorrelations@cara.com](mailto:investorrelations@cara.com)