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NEWS RELEASE

Happy Belly Food Group Announces 12th Consecutive Record Quarter, and First Quarter of Positive Net Income from Operations

2025-05-21

Toronto, Ontario--(Newsfile Corp. - May 21, 2025) - Happy Belly Food Group Inc. (CSE: HBFG) (OTCQB: HBFGF) ("Happy Belly" or the "Company"), a leader in acquiring and scaling emerging food brands across Canada is pleased to announce its unaudited financial results and corporate update for the fiscal quarter ended March 31st, 2025.

"In Q1 2025, Happy Belly Food Group marked its 12th consecutive record quarter of growth and reported its first quarter of positive net income from operations-signaling a pivotal cornerstone in our evolution. This achievement underscores our continued progress toward becoming Canada's premier acquirer and scaler of emerging food



brands, while delivering meaningful value to our shareholders. We doubled our system sales, driving a 101% increase versus the same quarter last year. We successfully added 7 restaurant locations in Q1 through our continued focus on organic growth and accretive acquisitions," said Sean Black, Chief Executive Officer.

"I would like to personally congratulate all brand leaders, franchisees, team members and cross functional teams for an amazing start to fiscal 2025. The team continues to execute on our aggressive growth and strategic plans, which is leading to yet another positive step forward and significant growth during Q1 2025. System sales reached \$11M (+101%), and total revenues of \$4M (+95%) both doubled versus the same quarter last year. Adjusted EBITDA increased 690%, while achieving positive cash flow before changes in non-cash working capital, and our first quarter positive net income from operations. Another key milestone achieved by Happy Belly Food Group," said Gary Fung, Chief Financial Officer. "Our core principles have been the 3P's: People, Product and Process, while staying operationally and financially disciplined throughout our execution plan. As at the end of Q1 2025, we have 50 operating restaurants, up 32 or 178% versus the same quarter last year. We continue to drive both organic and inorganic growth, through accretive acquisitions, improving sales and traffic, net restaurant openings, and overall profitability at restaurant level. Such positive tailwinds are already evident in Q2 2025, while we head towards the summer season. Exciting times ahead for our Company and we are only getting started!"

"I am very proud of the continued momentum that we have achieved in the business and with our financial results; we doubled our system sales and achieved the first quarter of positive net income from operations. These strong results are a testament to the team-oriented culture we have built at Happy Belly. Our management team and brand partners are working together to support our franchisees as we accelerate national expansion. With a clear focus on growth throughout 2025-2026, we believe our best chapters are still to come," said Sean Black, Chief Executive Officer.

We are just getting started.

Q1 2025 Financial Highlights

- System wide sales across Quick Service Restaurants (QSR) totalled \$10.76M in the first quarter of fiscal 2025, up 101% versus the same quarter last year (2024 - \$5.36M). The increase is attributed to organic baseline restaurant growth, alongside increased restaurant count, which reached 50 operating restaurants at the end of Q1 2025, up 178% versus 18 in the prior year. Total restaurant count includes the one acquisition during Q1 2025 (Smile Tiger Coffee Roasters; closed January 27, 2025).
- Total operating revenues, vendor rebates and interest income totalled \$3.67M in fiscal 2024, up 95% versus the same quarter last year (2024 - \$1.88M). Year-over-year growth was driven by continued sales growth in



both the QSR and Consumer Product Goods (CPG) segments, multiple business acquisitions in the past twelve months, and new net restaurants (6 openings and 1 acquisition during Q1 2025).

- Total product sales totalled \$3.08M in the first quarter of 2025, up 101% versus the same quarter last year (2024 - \$1.53M). In addition, royalties and franchise fee revenues reached \$0.39M during the quarter, up 139% from the prior year (2024 - \$0.16M), which was driven by an increase in royalties collected from 37 franchised restaurants in the system.
- Adjusted EBITDA[1] reached \$0.23M or 6.4% in the first quarter of fiscal 2025, up 696% versus the same quarter last year (2024 - \$0.03M or 1.5%). During the first quarter of fiscal 2025, net income from operations was net income positive \$0.01M versus a loss of (\$0.11M) in the prior year.
- Net working capital remains healthy at \$3.74M as of March 31, 2025 (2024 - \$0.80M). Total cash and cash equivalents were \$3.60M as of March 31, 2025. One non-brokered private placement was completed on January 9, 2025 for \$0.50M. Furthermore, cash flows before non-cash working capital was positive \$0.10M in Q1 2025 versus negative (\$0.09M) in the same quarter last year.
- Happy Belly Food Group Inc. continues to make accretive cash and equity investments during the first quarter of fiscal 2025 by acquiring Smile Tiger Coffee Roasters on January 27, 2025 (1 restaurant location in Kitchener Waterloo). Furthermore, in Q1 2025, investments were made to add headcount and infrastructure that will support the build and servicing of the new restaurant pipeline throughout 2025 and beyond. Such investments are aligned with the Company's direction for strategic growth and are already beginning to materialize in the first quarter of fiscal 2025.

[1]See section definition of "Non-IFRS Measures and Ratios" within the Compliance with International Financial Reporting Standards ("IFRS") section of the MD&A.

- Furthermore, Happy Belly opened 6 new restaurants during Q1 2025. The Heal Lifestyle brand opened 4 new locations in Edmonton Alberta (University of Alberta), Calgary Alberta regions (2 restaurants) and Hamilton Ontario. Lettuce Love Cafe and Yolks Breakfast Inc. each opened 1 location in Hamilton and Ottawa Ontario respectively.

Q1 2025 CORPORATE HIGHLIGHTS

March 28th, 2025 - Happy Belly's Rosie's Burgers Announces the Signing of a Franchise Agreement for the City of Mississauga, Ontario



March 27th, 2025 - Happy Belly's Rosie's Burgers Announces the Signing of a Multi Unit Franchise Agreement for 5 Stores in the Province of British Columbia

March 21st, 2025 - Happy Belly Opens 50th Restaurant in Hamilton's Westdale Village Featuring Lettuce Love & Heal Wellness

March 18th, 2025 - Happy Belly Expands CPG Availability with Lumber Heads Popcorn Now Available in 193 Loblaws Retail Locations

March 17th, 2025 - Happy Belly's Heal Wellness QSR Announces Multi-Unit Franchisee is Now Open in Calgary's Aspen Landing, Alberta, Canada

March 14th, 2025 - Happy Belly's Heal Wellness QSR Announces Multi-Unit Franchisee Opens Third Location in Toronto, Ontario

March 13th, 2025 - Happy Belly's Heal Wellness QSR Announces Securing a Real-Estate Location for Windermere, in the City of Edmonton, Alberta

March 12th, 2025 - Happy Belly's Heal Wellness Announces the Signing of their 49th Franchise Agreement to be Located in Brampton, Ontario

March 10th, 2025 - Happy Belly's Smash Burger Brand Rosie's Burgers Announces the Signing of a Real Estate Location and Franchisee for University of Alberta in Edmonton

March 6th, 2025 - Happy Belly Food Group's Heal Wellness QSR Signs 20 Unit Area Development Agreement in Atlantic Canada

March 4th, 2025 - Happy Belly Food Group's Smash Burger Brand Rosie's Burgers Signs 10 Unit Area Development Agreement in Manitoba, Canada

February 28th, 2025 - Happy Belly Food Group's Smash Burger Brand Rosie's Burgers Signs 15 Unit Area Development Agreement in Atlantic Canada

February 27th, 2025 - Happy Belly's Heal Wellness Announces the Signing of a Franchise Agreement for Grand Bend, Ontario

February 26th, 2025 - Happy Belly Food Group's iQ Food Co. QSR Signs 20-Unit Area Development Agreement in British Columbia



February 24th, 2025 - Happy Belly's HEAL Wellness QSR Brand Enters 4th Province in Canada with Signing of a 10-Unit Area Development Agreement in The Province of Saskatchewan.

February 21st, 2025 - Happy Belly's Yolk's Breakfast Announces the Opening of Its Newest Location in Canada's Capital, Ottawa, Ontario

February 24th, 2025 - Happy Belly's Smile Tiger Coffee Roasters Signs 25-Unit Area Development Agreement in British Columbia

February 11th, 2025 - Happy Belly Appoints David LeBlanc as Director of Design and Construction

February 7th, 2025 - Happy Belly's HEAL Wellness QSR Announces the Opening of its Newest Location in the City of Calgary, Alberta

February 6th, 2025 - Happy Belly's HEAL Wellness QSR Announces Securing a Franchisee and Real-Estate Location for Aurora, Ontario

January 27th, 2025 - Happy Belly Closes 100% Acquisition of Smile Tiger Coffee Roasters Inc

January 23rd, 2025 - Happy Belly's HEAL Wellness QSR Secures Real-Estate Location for Kingston, Ontario

January 22nd, 2025 - Happy Belly's HEAL Wellness QSR Announces Toronto Multi-Unit Franchisee Signs Fourth Agreement

January 17th, 2025 - Happy Belly Food Group Signs National Distributional Agreement with Sysco

January 10th, 2025 - Happy Belly's HEAL Wellness QSR Announces the Grand Opening of its Newest Location at the University of Alberta

January 9th, 2025 - Happy Belly Closes 6th Consecutive Above-Market Non-Brokered Financing

January 8th, 2025 - Happy Belly Signs Definitive Agreement to Acquire 100% of Smile Tiger Coffee Roasters Inc

January 7th, 2025 - Happy Belly Appoints Former Fat Burger Vice President John Grieve as Regional Vice President of Operations, Western Canada

SUBSEQUENT EVENTS





May 16, 2025 - Happy Belly Food Group's Heal Wellness QSR Announces the Opening of its Newest Location in Grand Bend, Ontario

May 13, 2025 - Happy Belly Food Group's Heal Wellness QSR Announces the Signing of their 50th Franchise Agreement to be in the City of Grand Prairie, Alberta

May 6 2025 - Happy Belly Food Group Exercises Right to Acquire Remaining 50% of Heal Wellness QSR

April 30, 2025 - Happy Belly Food Group Announces 11th Consecutive Record Quarter, and First Fiscal Year of Positive Adjusted EBITDA

April 25, 2025 - Happy Belly Food Group's Heal Wellness QSR Announces Opening in Downtown Calgary's Historic Alberta Block

April 24, 2025 - Happy Belly Food Group's Yolks Breakfast Signs 10 Unit Area Development Agreement in Atlantic Canada

April 23, 2025 - Happy Belly's Yolks Breakfast Announces Entry to Quebec Market with Signing of First Real-Estate Location

April 17, 2025 - Happy Belly Food Group's Via Cibo Italian Restaurant Opens Its Newest Location Located in Barrhaven, in the City of Ottawa, Ontario

April 16, 2025 - Happy Belly Food Group Promotes Randall Papineau to President of Emerging Brands

April 14th, 2025 - Happy Belly's Yolks Breakfast Signs Franchise Agreement and Real-Estate Location in the City of Tsawwassen, British Columbia

April 11th, 2025 - Happy Belly's Smash Burger Brand Rosie's Burgers Announces the Opening of its Newest Location in Toronto, Ontario

April 8th, 2025 - Happy Belly's Yolks Breakfast Signs Franchise Agreement for the City of Richmond Hill, Ontario

April 7th, 2025 - Happy Belly Promotes John Delutis to Chief Restaurant Officer

April 4th, 2025 - Happy Belly Selects TOAST to Power Growing Restaurant Portfolio

FOOTNOTES:

1. Adjusted EBITDA Is a non-IFRS financial measure which does not have a standardised meaning prescribed by IFRS. Adjusted EBITDA and Adjusted EBITDA Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends impacting the Company's business. Management believes Adjusted EBITDA are useful measures of operating performance and the Company's ability to generate cash-based earnings, as they provide a more relevant position of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses as well as other expenses, as described, that are not reflective of the Company's underlying business. This non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Adjusted EBITDA is defined as net comprehensive income or (loss), excluding interest, taxes, depreciation and amortization (EBITDA), adjusted for share-based compensation, gain (loss) on equity investments and sublease, expected credit loss and non-recurring expenses.

About Happy Belly Food Group

Happy Belly Food Group Inc. (CSE: HBFG) (OTCQB: HBFGF) ("Happy Belly" or the "Company") is a leader in acquiring and scaling emerging food brands across Canada.

Happy Belly 1

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Sean Black

Chief Executive Officer

Shawn Moniz

Chief Operating Officer

FOR FURTHER INFORMATION, PLEASE VISIT:

www: www.happybellyfg.com or email hello@happybellyfg.com

If you wish to contact us please call: 1-877-589-8805

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which has been prepared by management.

Cautionary Note Regarding Forward-Looking Statements

All statements in this press release, other than statements of historical fact, are "forward-looking information" with respect to the Company within the meaning of applicable securities laws. Forward-Looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur and include the future performance of Happy Belly and her subsidiaries. Forward-Looking statements are based on the opinions and estimates at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. There are uncertainties inherent in forward-looking information, including factors beyond the Company's control. There are no assurances that the business plans for Happy Belly described in this news release will come into effect on the terms or time frame described herein. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. For a description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's Management's Discussion and Analysis and other disclosure filings with Canadian securities regulators, which are posted on www.sedarplus.ca.



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