Cara Operations Unlimited

Cara reports Same Restaurant Sales growth of 2.5% and achieves highest quarterly EBITDA and Earnings Before Tax since 2015 IPO - Q4 dividend increases 5% to 10.68 cents per share

VAUGHAN, ON, March 9, 2018 /CNW/ - Cara Operations Limited, today announced results for the fourth quarter and year ended December 31, 2017.

"In 2017, we continued to grow sales, Operating EBITDA and earnings before income tax, all contributing to another successful year. In the fourth quarter, Operating EBITDA and earnings before tax were the highest result achieved since our IPO back in 2015, even after removing the benefit of the 53rd week in 2017," said Bill Gregson, Chief Executive Officer.

In the fourth quarter Same Restaurant Sales grew 2.5%, driven by the success of our renovation program, menu enhancements, investments in digital marketing, and by strong performance in Quebec and improvements in Alberta. Total System Sales grew to $774.9 million in the quarter, an increase of $133.8 million or 20.9% and $85.6 million or 13.4% after removing the benefit of the 53rd week. Operating EBITDA was $58.5 million in the quarter, compared to $46.7 million for the 13 weeks ended December 25, 2016, an improvement of $11.8 million or 25.3% and $8.3 million or 17.8% with the 53rd week excluded. Earnings before tax was $37.0 million compared to $30.3 million last year, an increase of $6.7 million or 22.1%. Fourth quarter Operating EBITDA margin on System Sales increased to 7.6% from 7.3% in 2016, within our long-range target of 7%-8% and the best result of any quarter in 2017.

Looking ahead to 2018, the Keg will contribute over $600 million of annual System Sales and approximately $23.5 million of annual Operating EBITDA to our results. This takes us to $3.4 billion of total annual System Sales and approximately $211 million of proforma Operating EBITDA, well within our 2020 to 2022 target ranges of $2.9 to $3.7 billion for System Sales and $203 to $296 million for Operating EBITDA. In addition, this marks the start of a new chapter for Cara's premium brands as we introduce key success factors experienced by the Keg, under the leadership of David Aisenstat.

Proforma the Keg transaction, Cara's Debt to EBITDA ratio will be approximately 2.2x. With the Company's strong balance sheet and growing cash flows, Cara is well positioned to pursue more strategic acquisitions and to explore alternatives to return more capital to its shareholders including continuation of its NCIB and increases to the Company's dividend rate. As such, Cara will be increasing its upcoming 2017 fourth quarter dividend by 5% to 10.68 cents per share.

Fourth Quarter and Year End Highlights:

- System Sales grew $133.8 million to $774.9 million for the 14 weeks ended December 31, 2017 as compared to 13 weeks ended December 25, 2016, representing an increase of 20.9% or 13.4% with the 53rd week excluded. For the 53 weeks ended December 31, 2017, System Sales grew $737.8 million to $2,779.5 million compared to 52 weeks ended December 25, 2016, representing an increase of 36.1% or 33.8% with the 53rd week excluded. The increase in System Sales is primarily related to the addition of St-Hubert in September 2016, Original Joe's in November 2016, Pickle Barrel in December 2017, Same Restaurant Sales ("SRS") increases, and the addition of 56 new restaurants that opened in 2017, partially offset by restaurant closures. The System Sales impact from the additional week in 2017 was $48.2 million.
- SRS Growth for the 14 and 53 weeks ended December 31, 2017 was 2.5% and 0.7%, respectively, compared to the same 14 and 53 weeks in 2016. The improvement in trend to positive SRS is primarily driven by sales increases from renovated restaurants, menu enhancements, digital marketing, strong performance in Quebec and improvements in Alberta. SRS excludes the impact from the Original Joe's transaction that was completed on November 28, 2016, the Burger's Priest investment that was completed on June 1, 2017, and the Pickle Barrel transaction that was completed on December 1, 2017. These banners will be included in SRS for 2018.
- The Company achieved Operating EBITDA of $58.5 million for the quarter and $191.0 million for the year, the highest level since the IPO, compared to $46.7 million for the 13 weeks ended December 25, 2016, an improvement of $11.8 million or 25.3% for the quarter, and $144.0 million for the 52 weeks ended December 25, 2016, an improvement of $47.0 million or 32.6% for the full year. The increases have been driven by an increase in contribution dollars in each of the Company's operating segments, being Corporate restaurants, Franchise restaurants and Central, from the addition of St-Hubert in September 2016 (including food processing and distribution which is part of Central operations), Original Joe's in November 2016. The estimated impact from the additional week in 2017 is $3.5 million in Operating EBITDA.
- Operating EBITDA Margin on System Sales for the fourth quarter was 7.6% compared to 7.3% in 2016, and was 7.6% with the 53rd week excluded, within our long-term target range of 7%-8%. Operating EBITDA Margin on System Sales for the 53 weeks ended December 31, 2017 was 6.9% compared to 7.1% in 2016. Management's focus will be to build earnings efficiency from 6.9% well into our target range of 7%-8% by the period ending 2020-2022, by leveraging increased system sales from acquisitions and by realizing synergies with the added banners.
- Earnings before income taxes reached the highest since IPO at $37.0 million for the 14 weeks ended December 31, 2017 compared to $30.3 million for the 13 weeks ended December 25, 2016, an increase of $6.7 million or 22.1% for the quarter. Earnings before income taxes for the 53 weeks ended December 31, 2017 was $116.6 million compared to $96.0 million, an improvement of $20.6 million or 21.5%. The increases were mainly attributed to increased contribution dollars from corporate and franchised restaurants, from the additions of St-Hubert and Original Joe's corporate and franchise restaurants, the impact of an additional week in the fiscal year, SRS increases, improved contribution from the central segment driven by the addition of St-Hubert's food processing and distribution business, and overall cost reductions, offset by increased interest expense and depreciation expense (both related to the St-Hubert and Original Joe's 2016 transactions), non-cash impairment provisions and restructuring charges.
- Adjusted Net Earnings was $36.3 million and $117.1 million for the 14 and 53 weeks ended December 31, 2017 compared to $25.9 million and $97.0 million for the 13 and 52 weeks ended December 25, 2016, respectively, representing increases of $10.4 million or 40.2% for the quarter and $20.1 million or 20.7% for the year.
- Basic Earnings per Share ("EPS") for the 14 and 53 weeks ended December 31, 2017 was $0.47 and $1.84, compared to $0.33 and $1.28 for the 13 and 52 weeks ended December 25, 2016, respectively. Diluted EPS for the 14 and 53 weeks ended December 31, 2017 was $0.45 and $1.77 compared to $0.32 and $1.22 for the 13 and 52 weeks ended December 25, 2016. The increases are primarily related to improvements in Net Earnings, offset by the impact from the increased number of subordinate voting shares outstanding as a result of the Q4 2016 subscription receipt offering to support the St-Hubert transaction reduced by shares repurchased and cancelled under the NCIB in the second, third, and fourth quarters of 2017.
- Management continues to focus on both short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, expanded off-premise sales through new and improved e-commerce applications that will be expanded to most brands over the next 2 years, and brand specific digital-social media marketing. Some specific accomplishments in 2017 include:
  - The Company completed 92 major and contractual renovations of corporately-owned and franchised locations in 2017. Restaurant renovations rejuvenate sales long-term and positively contribute to SRS on a sustainable basis.
  - In 2017, the Company launched new native, in-house developed ordering apps for Swiss Chalet on iOS and Android. These were followed with a new fully-responsive mobile-friendly ordering website for Swiss Chalet. The new Swiss Chalet apps have been very positively received by consumers and have become the #1-rated branded restaurant app in Canada on the iOS app store. The new Swiss Chalet app and responsive website form the technical foundation for the Company to quickly launch new apps for Montana's, East Side Mario's, Kelsey's and additional brands in the future.
  - In 2017, Cara expanded its on-line aggregator relationships (including Uber-Eats) to over 500 restaurants to enable customers to place delivery and pick-up orders through the channel and application of their choice; the Company will continue to roll out this initiative across its corporate and franchised restaurants and expects to be active in at least 600 restaurants by the end of Q1 2018.
  - The Company continues to build on existing partnerships with key media partners including Facebook and Google and has also built new partnerships and integrations with strategic digital media partners including the Weather Network, TeamSnap and Waze where their subscribers overlap with Cara customers. This is part of the continued goal of enhancing customer specific marketing and marketing effectiveness.
  - In 2017, the Company fully deployed a new CRM tool and database management system to market directly to customers and to effectively maximize life time value of these guests. With the help of this new CRM tool and database, brands can more effectively identify opportunities and put plans in place to drive not only new guests but also to grow life time value with purchase frequency and order size tactics of each consumer segment.
  - The Company has developed an analytics platform that integrates customer satisfaction data, sales and operational effectiveness data, and health and safety data from a number of disparate data sources. This information is aggregated and presented as store and brand-level dashboards that provide franchisees, managers and operators with specific information about guest experiences, in their particular restaurants. This data forms the foundation of what will later in 2018 become a mobile analytics solution for our franchisees and operators to have timely and restaurant specific information at their fingertips to better service guests.
  - In 2017, the Company launched a new local store marketing portal that provides more effective local store marketing tools and best practices to help our franchisees and restaurants better connect with guests in their communities.
  - In 2018, Cara will continue to enhance its partnerships with Scene and Canadian Automobile Association (CAA) to more effectively leverage the 15 million plus Scene and CAA member database and customer data to drive new and repeat purchases from these partners' members.

- On March 9, 2018, the Company's Board of Directors declared a dividend of $0.1068 per share of subordinate and multiple voting common stock, an increase of 5%. Payment of the dividend will be made on April 16, 2018 to shareholders of record at the close of business on March 31, 2018. With the Company's strong balance sheet and growing cash flows, management will continue to pursue strategic acquisitions and will explore alternatives to return more capital to its shareholders including continuation of its NCIB and increases to the Company's dividend rate.

($ millions unless otherwise stated)[1]	14 weeks December 31, 2017	13 weeks December 25, 2016	53 weeks December 31, 2017	52 weeks December 25, 2016
	(unaudited)	(unaudited)		
Total System Sales from continuing operations	$774.9	$641.1	$2,779.5	$2,041.7
Total System Sales Growth[2]	20.9%	39.0%	36.1%	15.6%
SRS Growth[3]	2.5%	(2.8%)	0.7%	(1.7%)
Number of restaurants[2] (at period end)	1272	1237	1272	1237
Corporate restaurant sales	$125.8	$82.1	$439.1	$288.4
Number of corporate and joint venture restaurants	223	207	223	207
Contribution from Corporate segment	$12.3	$6.8	$42.5	$29.9
Contribution as a % of corporate sales	9.8%	8.3%	9.7%	10.4%
Franchise restaurant sales	$571.0	$492.5	$2,092.2	$1,669.1
Number of franchised restaurants	1049	1030	1049	1030
Contribution from Franchise segment	$24.1	$20.1	$84.4	$67.2
Contribution as a % of Franchise sales	4.2%	4.1%	4.0%	4.0%
Contribution from Food Processing and Distribution	$6.6	$5.9	$15.3	$8.6
Contribution from Central segment	$22.1	$19.8	$64.1	$46.9
Contribution as a % of Total System Sales	2.9%	3.1%	2.3%	2.3%
Total gross revenue	$225.4	$175.6	$775.2	$463.3
Operating EBITDA	$58.5	$46.7	$191.0	$144.0
Operating EBITDA Margin	25.9%	26.6%	24.6%	31.1%
Operating EBITDA Margin on Total System Sales	7.6%	7.3%	6.9%	7.1%
Earnings before income taxes	$37.0	$30.3	$116.6	$96.0
Net earnings	$27.3	$19.7	$109.8	$67.0
Adjusted net earnings[4]	$36.3	$25.9	$117.1	$97.0
Earnings per share from continuing operations attributable to common shareholders (in dollars)				
Basic EPS	$0.47	$0.33	$1.84	$1.28
Diluted EPS	$0.45	$0.32	$1.77	$1.22
Adjusted Basic EPS[5]	$0.62	$0.44	$1.96	$1.86
Adjusted Diluted EPS[5]	$0.59	$0.42	$1.88	$1.76

(1) See "Non-IFRS Measures" for definitions of System Sales, SRS Growth, Operating EBITDA, Operating EBITDA Margin & Operating EBITDA Margin on System Sales.
(2) Results from East Side Mario restaurants in the United States are excluded in System Sales totals and number of restaurants.
(3) Results from New York Fries located outside of Canada, East Side Mario restaurants in the United States, Casey's restaurants, Original Joe's, Burger's Priest restaurants, and Pickl
(4) "Adjusted Net Earnings" is defined as net earnings plus (i) deferred income tax expense (reversal); (ii) non-cash amortization of inventory fair value increases related to inventor sold during the period resulting from the St-Hubert purchase determined at acquisition date; (iii) one-time transaction costs; (iv) non-cash impairment charges; and (v) restructu other.
(5) "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 warrants issued.

The Company's unaudited interim and audited year-end consolidated financial statements for the 14 and 53 weeks ended December 31, 2017 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Outlook

Looking back at 2017, Management is pleased to report Cara's highest results since our 2015 IPO. System Sales were $2,779.5 million, Operating EBITDA was $191.0 million, and Earnings before income taxes were $116.6 million. With the Keg merger complete, the Company will add approximately $612.0 million in System Sales, taking the Company to approximately $3.4 billion in 2018 compared to the initial 2015 IPO target range for 2020-2022 of $2.5 billion to $3.0 billion, and the updated target range provided in 2016 after the St. Hubert acquisition of $2.9 billion to $3.7 billion. The Keg merger will also add approximately $23.5 million of Operating EBITDA resulting in proforma Operating EBITDA of approximately $211.0 million, also within Cara's updated target EBITDA range of $203.0 million to $296.0 million (based on 7% to 8% of System Sales). However, while the Keg will add EBITDA dollars, because of royalty payments to the Keg Royalty Income Fund, the Keg merger will reduce Cara's Operating EBITDA margin on System Sales below the target 7% to 8% range. 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 back to within our 7% to 8% target range by 2020-2022.

After the Keg transaction, Cara's Debt to EBITDA ratio will be approximately 2.2x (on a proforma basis). With the Company's strong balance sheet and growing cash flows, Cara is well positioned to pursue more strategic acquisitions and to explore alternatives to return more capital to its shareholders including continuation of its NCIB and increases to the Company's dividend rate. As such, Cara will be increasing its upcoming dividend by 5% to $0.1068 per share. Management provides the following comments regarding its strategies and initiatives:

- *System Sales and SRS Growth* — Management is pleased with total System Sales growth of 20.9% for the quarter and 36.1% for the year and with SRS of 2.5% for the quarter and 0.7% for the year. Management continues to focus on our goal of long-term sustainable SRS growth. As Cara is a multi-branded company, not all brands will have strong results at the same time which can result in overall variable sales and SRS results.

  Management continues to focus on both short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, expanded off-premise sales through new and improved e-commerce applications that will be expanded to most brands over the next 2 years, and brand specific digital-social media marketing. Some specific accomplishments in 2017 include:

  - The Company completed 92 major and contractual renovations of corporately-owned and franchised locations in 2017. Restaurant renovations rejuvenate sales long-term and positively contribute to SRS on a sustainable basis.

  - In 2017, the Company launched new native, in-house developed ordering apps for Swiss Chalet on iOS and Android. These were followed with a new fully-responsive mobile-friendly ordering website for Swiss Chalet. The new Swiss Chalet apps have been very positively received by consumers and have become the #1-rated branded restaurant app in Canada on the iOS app store. The new Swiss Chalet app and responsive website form the technical foundation for the Company to quickly launch new apps for Montana's, East Side Mario's, Kelsey's and additional brands in the future

  - In 2017, Cara expanded its on-line aggregator relationships (including Uber-Eats) to over 500 restaurants to enable customers to place delivery and pick-up orders through the channel and application of their choice; the Company will continue to roll out this initiative across its corporate and franchised restaurants and expects to be active in at least 600 restaurants by the end of Q1 2018.

  - The Company continues to build on existing partnerships with key media partners including Facebook and Google and has also built new partnerships and integrations with strategic digital media partners including the Weather Network, TeamSnap and Waze where their subscribers overlap with Cara customers. This is part of the continued goal of enhancing customer specific marketing and marketing effectiveness.

    - In 2017, the Company fully deployed a new CRM tool and database management system to market directly to customers and to effectively maximize life time value of these guests. With the help of this new CRM tool and database, brands can more effectively identify opportunities and put plans in place to drive not only new guests but also to grow life time value with purchase frequency and order size tactics of each consumer segment

    - The Company has developed an analytics platform that integrates customer satisfaction data, sales and operational effectiveness data and health and safety data from a number of disparate data sources. This information is aggregated and presented as store and brand-level dashboards that provide franchisees, managers and operators with specific information about guest experiences, in their particular restaurants. This data forms the foundation of what will become a mobile analytics solution for our franchisees and operators to have timely and restaurant specific information at their fingertips to better service guests

    - In 2017, the Company launched a new local store marketing portal that provides more effective local store marketing tools and best practices to help our franchisees and restaurants better connect with guests in their communities.

    - In 2018, Cara will continue to enhance its partnerships with Scene and CAA to more effectively leverage the 15 million plus Scene and CAA member database and customer data to drive new and repeat purchases from these partners' members.

- The Company's 2018 fiscal year will end on December 30, 2018 and return to 52 weeks as compared to 53 weeks in fiscal 2017. For comparative purposes, results in the first quarter of 2018 compared to 2017 will be negatively impacted by 2 significant factors: (1) a shift in the calendar as the sales period from December 26, 2016 to January 1, 2017 was included in Q1 2017 but the same holiday week, typically a higher sales week, is not in our fiscal 2018 first quarter; (2) Q1 2018 will include Easter weekend (March 30, 2018), a low sales week, as compared to 2017 when Easter was included in Q2. The fourth quarter of 2018 will return to 13 weeks as compared to 14 weeks in Q4 2017, a difference of 1 week. The table below summarizes the change in comparative periods:

Fiscal 2016	**Fiscal 2017**	**Fiscal 2018**
52 weeks	53 weeks	52 weeks
Dec 28, 2015 to Dec 25, 2016	Dec 26, 2016 to Dec 31, 2017	Jan 1, 2018 to Dec 30, 2018
Q1	**Q1**	**Q1**
13 weeks	**13 weeks**	**13 weeks**
Dec 28, 2015 to Mar 27, 2016	**Dec 26, 2016 to Mar 26, 2017**	**Jan 1, 2018 to Apr 1, 2018**
Q2	Q2	Q2
13 weeks	13 weeks	13 weeks
Mar 28, 2016 to Jun 26, 2016	Mar 27, 2017 to Jun 25, 2017	Apr 2, 2018 to Jul 1, 2018
Q3	Q3	Q3
13 weeks	13 weeks	13 weeks
Jun 27, 2016 to Sept 25, 2016	Jun 26, 2017 to Sept 24, 2017	Jul 2, 2018 to Sept 30, 2018
Q4	Q4	Q4
13 weeks	14 weeks	13 weeks
Sept 26, 2016 to Dec 25, 2016	Sept 25, 2017 to Dec 31, 2017	Oct 1, 2018 to Dec 30, 2018

- *Total Operating EBITDA* — The combined contributions from Corporate, Franchise, Food Processing and Distribution, and Central segments resulted in Total Operating EBITDA margin of 7.6% as a percentage of Total System Sales for the quarter and 6.9% for the year compared to 7.3% and 7.1% in 2016, respectively. Excluding the 53rd week, Total Operating EBITDA margin as a percentage of System Sales was approximately 7.6% for the quarter and 6.9% for the year. The Company will continue to work on all four segments, with Corporate having the greatest improvement opportunity to achieve its long-term targets to increase both segmented Operating EBITDA Contribution and Total Operating EBITDA in relation to Total System Sales.

- *Corporate restaurant profitability* — Corporate restaurant profitability was 9.8% for the quarter compared to 8.3% in 2016 and for the year was 9.7% compared to 10.4% in 2016. Excluding the 53rd week, corporate restaurant profitability was approximately 9.2% for the quarter and 9.5% for the year. The reduction during the year was mostly from Original Joe's corporate and joint venture restaurants that currently operate below the 10% target contribution level. Management believes there is significant opportunity for improved contribution in the future from Original Joe's as Management realizes operating synergies from lower food and beverage costs and better labour management tools. Contribution will also improve as renovated restaurants re-open at higher sales levels, as the western provinces and Newfoundland recover from the economic slowdown and from the sale of certain corporate restaurants in franchise banners.

  Management will continue to pursue the sale of certain corporate restaurants in its franchise banners to franchisees and will pursue the sale of its share in joint venture locations to the Company's joint venture partners to convert joint venture locations to franchise to improve the corporate-franchise portfolio mix. During the year ended December 31, 2017, 14 corporate restaurants were sold and re-franchised.

  While still early in the new higher minimum wage environment, there are some early observations coming from Cara corporate restaurants. Sales have been stronger in Ontario than the rest of Canada. Initiatives taken on labour and food cost as a percent of sales have been successful in mitigating the higher labour cost dollars and, therefore, gross margin dollars are comparable to prior year. But we are still very early with the information available and our analysis indicates the higher sales versus last year is a key factor in mitigating the higher labour costs.

- *Franchise segment* —Franchise contribution as a percentage of franchise sales improved from 4.1% in 2016 to 4.2% in 2017. For the year, franchise contribution as a percentage of franchise sales remained steady at 4.0%. The improvement in the fourth quarter is attributed to improved sales in the western provinces.

- *Food processing and distribution* — Contribution dollars from food processing and distribution was $6.6 million and $15.3 million for the 14 and 53 weeks ended December 31, 2017, compared to $5.9 million and $8.6 million, respectively. The increase in the fourth quarter relates to delayed grocery orders in the third quarter. The increase for the year relates to a full year of sales compared to 4 months in 2016 from date of acquisition in September 2016.

- *Central segment* — Going forward, central contribution will continue to improve on our model for growing sales faster than head office expenses, and by expanding our off premise business.

- *Restaurant Count* —In 2017, before acquisitions, the Company opened 56 new restaurant locations as compared to 42 new locations added in 2016. New restaurant openings in 2017 were impacted in the month of December by construction delays. As such, 11 restaurants that were planned to open in December 2017 were opened in the months of January and February 2018. In 2017, the Company closed 44 restaurants (excluding Casey's closures) compared to 23 closures in 2016. Included in the closures were many underperforming locations where the closure will benefit the overall system performance and the Company's profitability going forward. Closures also included locations that no longer fit the long term strategy of certain brands. Management will continue to review its portfolio of restaurants and will opportunistically close underperforming or non-strategic locations that will benefit the Company long term.

- *Growth and acquisitions* —The Company currently has a debt to EBITDA ratio of approximately 2.2x on a proforma basis after the merger with The Keg. At this debt level, and with strong cash flow from operations, the Company has the ability to consider more growth opportunities while continuing to reduce its debt, and by opportunistically repurchasing its subordinate voting shares for cancellation under the NCIB. To supplement cash flow and debt repayment (and our ability to grow), the Company is also planning less capital expenditures in 2018 as we build fewer new corporate restaurants and as we reduce the number of corporate restaurants in franchise banners by selling restaurants to franchisees. However, there will be additional capital expenditures in 2018 to support 1new Pickle Barrel restaurant and the capital expenditures for the Keg brand.

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 & Uncertainties" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

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", "Operating EBITDA Margin on System Sales", "Adjusted Earnings before income tax", "Adjusted Earnings", "Adjusted Basic EPS", and "Adjusted Diluted 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 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 Cara'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 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 excludes Original Joe's as the transaction was completed on November 28, 2016; Burger's Priest as the transaction was completed on June 1, 2017; Pickle Barrel as the transaction was completed on December 1, 2017; Casey's restaurants as the Company is in the process of winding down its operations; and sales from international operations from 44 New York Fries and 3 US East Side Mario's. For the first quarter of 2016, SRS excludes the timing impact resulting from Easter weekend occurring in the last week of the first quarter of 2016 as compared to being in the first week of the fourth quarter in 2015. To provide comparable quarter over quarter results for 2016, SRS for the first quarter was comprised of 12 weeks compared to the same 12 weeks in the prior year and the fourth quarter SRS compares 14 weeks in 2016 to the same 14 weeks in 2015 to include the impact of Easter weekend.

"EBITDA" is defined as net earnings (loss) 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.

"Operating EBITDA" is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets; (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; (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; and (xiv) the Company's proportionate share of equity accounted investment in associates and joint ventures.

"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.

"Adjusted Net Earnings" is defined as net earnings plus (i) deferred income tax expense (reversal); (ii) non-cash amortization of inventory fair value increases related to inventory sold during the period resulting from the St-Hubert purchase determined at acquisition date; (iii) one-time transaction costs; (iv) non-cash impairment charges; and (v) restructuring and other.

"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 warrants issued.

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 news 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, and Adjusted net earnings (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 Annual Information Form dated March 2, 2017. 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 2017 fourth quarter and year end results at 9:00 am Eastern Time on Monday, March 12, 2018.

To access the call, please call (647) 427-7450 or 1-888-231-8191, five to ten minutes prior to the start time. Conference ID 1890937. A telephone replay of the call will be available until midnight on April 12, 2018. To access the replay, please dial (416) 849-0833 or 1-855-859-2056 and enter passcode 1890937.

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, St-Hubert, Milestones, Montana's, Kelsey's, East Side Mario's, New York Fries, Prime Pubs, Bier Markt, Landing, Original Joe's, State & Main, Elephant & Castle, Burger's Priest, Pickle Barrel, Taverne Moderne and The Keg. Cara's iconic brands have established Cara as a nationally recognized franchisor of choice. As at December 31, 2017, Cara had 1,272 restaurants, 1,221 of which were located in Canada and the remaining 51 locations were located internationally. 87% of Cara's restaurants are operated by franchisees and joint venture partners and 55% of Cara's locations are based in Ontario. Cara's shares trade on the Toronto Stock Exchange under the ticker symbol CARA.TO. More information about the Company is available at www.cara.com.

SOURCE Cara Operations Limited

For further information: Investor Relations: Cara Operations Limited, Ken Grondin, (905) 760-2244, Chief Financial Officer, Email: kgrondin@cara.com or investorrelations@cara.com

---