

Cara and Original Joe's Franchise Group Inc. enter into partnership to reacquire Original Joe's trademarks and royalty rights from Diversified Royalty Corp.

VAUGHAN, ON, Sept. 1, 2016 /CNW/ - Cara Operations Limited (TSX:CAO) ("Cara") announces today that it has entered into a transaction to acquire a majority ownership interest in Original Joe's Franchise Group Inc. ("Original Joe's") for \$93 million (the "Transaction"). \$90.0 million of the \$93.0 million purchase price will be used by Original Joe's to re-acquire its trademarks and royalty rights from Diversified Royalty Corp (TSX:DIV) ("DIV" or "Diversified"). Original Joe's franchises and operates 99 full-service restaurants in Canada and the United States across three brands - Original Joe's Restaurant & Bar, State & Main Kitchen Bar and Elephant & Castle Pub and Restaurant. The Transaction will allow Original Joe's to retain approximately \$12.6 million in annual royalty payments currently paid to DIV. With these retained royalties and anticipated synergies, Cara's management expects its purchase multiple for the Transaction to be below 7x Normalized Operating EBITDA. This Transaction will be accretive to Cara on an EPS basis.

Derek Doke, President and Chief Executive Officer of Original Joe's, commented, "The decision to unwind our royalty relationship with Diversified was difficult; however, the opportunity to partner with Cara was attractive from a strategic and synergistic perspective. We are pleased to come to terms with both Cara and Diversified on an arrangement that serves all three parties' interests." Mr. Doke added, "This transaction brings positive possibilities for the Original Joe's business as well as for our associates and franchise partners." The Original Joe's head office will continue to be located in Calgary, Alberta and existing management will remain in charge of Original Joe's business, leveraging Cara where possible.

Cara's Chief Executive Officer, Bill Gregson, commented, "With its proven restaurant-pub concepts and its understanding of the casual, full-service foodservice space, Original Joe's is a natural fit for Cara. The majority of Original Joe's restaurants are located in Western Canada, an area where Cara is currently under-represented. With our acquisition of Quebec-based St-Hubert, soon to close, Cara's business and restaurant network will now have greater geographic distribution across all of Canada". Mr. Gregson added, "The Original Joe's partnership also provides us with an opportunity to combine our scale for cost savings and rely on a proven management team headed by Derek. Derek and his existing management team will continue to have ultimate responsibility for running Original Joe's." Derek Doke has worked as an executive in the restaurant and hospitality sector for 25 years – he founded his management company Franworks Franchise Corp. in 2000 through which he has overseen the growth of Original Joe's from two locations to 99 locations, across three banners.

Original Joe's 99 restaurants generate approximately \$250 million in annual System Sales and approximately \$14.7 million in Normalized Operating EBITDA before synergies (after factoring in the cancellation of top-line royalty payments to DIV.). When the St-Hubert transaction closes, Cara's total System Sales will increase approximately \$630 million from \$1.84 billion (for the 12 months ended June 26, 2016, adjusted for a full year contribution from New York Fries) to \$2.5 billion. With the further addition of Original Joe's, Cara's annual System Sales are expected to be approximately \$2.7 billion. With the addition of 117 restaurants from the St-Hubert acquisition, Cara will have 1,120 restaurants in its network - this number grows to 1,219 restaurants with the addition of 99 restaurants from Original Joe's.

Cara will fund its \$93.0 million investment in Original Joe's by drawing on its credit facility. Closing of the Transaction is subject to customary conditions, including the receipt of relevant regulatory approvals. The transaction is targeted to close in late 2016.

About Original Joe's Franchise Group Inc.

Founded in 2000, Original Joe's a multi-brand restaurant company based in Calgary, Alberta. As at June 26, 2016, Original Joe's had 99 restaurants, comprised of 66 Original Joe's, 23 State & Main and 10 Elephant & Castle locations. 1 State & Main and 6 Elephant & Castle locations are located in the United States – Original Joe's remaining 92 locations are located in Canada and predominantly in Western Canada. Of the 92 Canadian locations, 19 are in British Columbia, 51 are in Alberta, 8 are in Saskatchewan, 5 are in Manitoba and 9 are in Ontario. Of Original Joe's 99 total locations, 20% are franchised, 44% are corporately-owned and 36% are partially owned as a joint venture with owner-operators. Original Joe's also owns and operates a company that specializes in commercial retail/restaurant construction with a strong emphasis on design-build, utilizing an in-house design department.

About Cara

Founded in 1883, Cara is Canada's oldest and largest full-service restaurant company. Cara franchises and/or operates restaurant brands that include Swiss Chalet, Harvey's, Kelsey's, East Side Mario's, Montana's, Milestones, Prime Pubs, Bier Markt, New York Fries and Landing restaurants. As at June 26, 2016, Cara had 1,003 restaurants, 958 of which were located in Canada and the remaining 45 locations were located internationally. Of Cara's 1,003 restaurants, 88% are operated by franchisees and 65% are based in Ontario. Cara is a publicly traded company whose shares trade on the Toronto Stock Exchange under the ticker symbol CAO. More information about the Company is available at www.cara.com.

Cara Conference Call

Bill Gregson, Chief Executive Officer and Ken Grondin, Chief Financial Officer, will hold an investor conference call to discuss this announcement in further detail at 9:00 a.m. Eastern Time on Thursday, September 1, 2016.

Presentation slides for the conference call will be made available on Cara's website located at www.cara.com.

To access the call, please call (647) 427-7450 or 1-888-231-8191 five to ten minutes prior to the start time. The conference ID number is 75421675. A telephone replay of the call will be available until midnight on September 29, 2016. To access the replay, please dial 1-855-859-2056 or 416-849-0833 and enter passcode 75421675.

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 Cara's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of Cara's financial information reported under IFRS. Cara uses non-IFRS measures including "System

Sales", "Pro Forma System Sales", "Operating EBITDA" and "Normalized Operating EBITDA" 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. Cara also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Cara'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. Pro forma System Sales for the acquisition of St-Hubert include third party sales from the food division which consist of sales to franchise restaurants, grocery, industrial and food service clients net of commercial expenses. Pro Forma System Sales for the acquisition of Original Joe's have been adjusted to reflect 12 months of sales for new stores that were opened for a partial year. Management believes System Sales provides meaningful information to investors regarding the size of Cara's restaurant network, the total market share of Cara's brands and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Cara's consolidated financial performance.

"Pro Forma System Sales" is defined as System Sales adjusted for full-year contribution of New York Fries and the acquisition of St-Hubert and Original Joe's, as if the acquisitions had occurred on December 27, 2015.

"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; * 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.

"Normalized Operating EBITDA" is defined as Original Joe's Operating EBITDA adjusted for certain expenses that are not anticipated to recur post-closing and it also includes normalizing, run-rate adjustments for restaurants that were opened for a partial year (both closures as well as new openings).

Forward-Looking Information

This press release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information in this press release includes statements regarding the timing and completion of the proposed transactions and the St-Hubert acquisition, anticipated synergies, purchase multiple, accretion, growth prospects, future business strategy and expectations regarding operations and cost savings. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "estimates", "intends", "anticipates", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "achieve".

Forward-looking information is necessarily based on a number of assumptions and estimates that, while considered reasonable by Cara as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual

results to be materially different from those expressed or implied by such forward-looking information, including: completion of the Transaction on terms set out in the subscription agreement and in a manner consistent with management's expectations; the closing of the St-Hubert acquisition; the accuracy of management's assessment of the effects of the Transaction, including the ability to generate synergies consistent with management's expectations; and the ongoing performance of the businesses of Cara, Original Joe's and St-Hubert. These assumptions and estimates are not intended to represent a complete list of the assumptions and estimates that could affect Cara.

There are several factors that could cause actual results to differ materially from those contained in forward-looking information, including: future operating results; future general economic and market conditions; changes in laws and regulations; and such other factors and risks as described in detail from time to time in documents filed by Cara with securities regulatory authorities in Canada. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Cara does not undertake to update any forward-looking information contained herein, except as required by applicable securities laws.

SOURCE Cara Operations Limited

For further information: INVESTOR RELATIONS: For further information on Cara Operations Limited, please contact Ken Grondin, Chief Financial Officer of Cara, at (905) 760-2244 or at kgrondin@cara.com; For further information on Original Joe's Franchise Group Inc., please visit the website at www.FranWorks.com, call (403) 263-4323 or e-mail info@FranWorks.com

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