Message from Bill Gregson, Chief Executive Officer and Chair of the Board

2016 was a landmark year for Cara – two very significant acquisitions as well as strong financial results drove step-change business and earnings growth and led to a revision of Cara's long-term plan

March 24, 2017

A Collective Effort

This is Cara's second year-end since becoming a public company in April of 2015. It also marks the third consecutive year of transformational growth for our organization. I'd like to start by thanking our head office associates, franchise partners, restaurant managers, and front-line staff for helping to make 2016 another unforgettable and record-setting year. Part of Cara's corporate mission is to maintain and improve our leadership position in the Canadian restaurant industry. Central to this effort, we are striving to ensure "every guest leaves happy". We made meaningful strides in 2016 providing inspiring experiences in food, beverage, service and design – it's through hard work and a collective desire to succeed that progress is happening. Thank you to the extended Cara team.

Cara's 2016 Achievements

Cara's 2016 achievements were financial, strategic and charitable in nature – here are some of our most important highlights:

Breakthrough Financial Results – 2016 marks Cara's third consecutive year of transformative financial growth. Compared to our fiscal 2013 results, total System Sales grew 48.8% or $669.8 million and Operating EBITDA grew 189.7% or $94.3 million by 2016. Adjusted Net Earnings grew $136.5 million from a loss of $39.5 million in 2013 to $97.0 million in 2016. Similarly, earnings before income taxes grew since 2013, increasing $138.2 million from a loss of $42.2 million in 2013 to $96.0 million in 2016. 2016 was also a banner year when compared to the prior year. While Same Restaurant Sales Growth was below our expectations, total System Sales grew 15.6% to $2.042 billion in 2016, marking the first time in Cara's 133 year history that it has achieved over $2 billion in total System Sales. Operating EBITDA increased $31.8 million to $144.0 million in 2016 compared to $112.2 million in 2015, a 28.3% improvement.

Adjusted Net Earnings grew $32.7 million from $64.3 million in 2015 to $97.0 million in 2016. Similarly, earnings before income taxes grew to $96.0 million from $66.2 million in 2015, an increase of $29.8 million. In 2016, Operating EBITDA, Adjusted Net Earnings and earnings before income tax results were record achievements for Cara.

Historic Acquisitions – In the back half of 2016, St-Hubert, Original Joe's, State & Main and Elephant & Castle joined Cara's family of leading Canadian brands. The St-Hubert acquisition provides Cara with an iconic restaurant chain that resonates with guests in Quebec and it adds a national food manufacturing and retail solution for the Cara brands. The joining of Cara and St-Hubert was a natural and synergistic fit with long-term benefits for both businesses. The addition of St-Hubert, Original Joe's, State & Main and Elephant & Castle also provides Cara with a more evenly distributed network of restaurants across Canada – 55% of Cara's total number of restaurants were located in Ontario at the end of 2016, compared to 66% one year earlier. Also, the proportion of Cara's total restaurants located in Quebec increased from 6% to 14%, driven by the St-Hubert acquisition. Similarly, the proportion of total restaurants located in Western Canada increased from 19% to 22% in 2016, driven by the addition of Original Joe's.

Long-Term Targets Revised Upwards – In conjunction with our IPO in 2015, we laid out Cara's 5-7 year (2020-2022) growth targets. Since the IPO, the steady growth in our base business coupled with the acquisitions of the Landing Group of Restaurants, New York Fries, St-Hubert, Original Joe's, State & Main and Elephant & Castle positioned us to achieve the low end of our 2020-2022 targets after only 20 months since the IPO. Our long-term targets were, therefore, updated – Between 2020-2022, total System Sales targets were revised to fall between $2.9 and $3.7 billion compared with IPO targets of $2.5 to $3.0 billion. Operating EBITDA 2020-2022 targets were also updated to range between $203 and $296 million compared with IPO targets of $175 and $240 million. These 2020-2022 targets presume Operating EBITDA Margin on System Sales of between 7% and 8%. Fiscal 2016 marks the first time that Cara has fallen within its targeted range for Operating EBITDA Margin on System Sales, achieving 7.1% on a full-year basis, after 3 consecutive quarters over 7%. Going forward, the addition of the St-Hubert retail food manufacturing and distribution business should help Cara achieve Operating EBITDA Margin at the high end of the 7% to 8% range.

Charitable Activity – *How* we achieved success is important to us and I'm pleased to mention that our partnership with the Boys and Girls Club of Canada ("BGCC") continued to evolve in 2016. Over $150,000 in funds were donated or raised in 2016 to support BGCC. BGCC is a national organization of associated clubs that provides after-school programs to underprivileged youth. Cara as well as Cara's associates, franchisees and guests also came together to help support fellow Canadians impacted by the devastating fires in Fort McMurray – over $235,000 in funds were raised with the help of a government matching program. In 2016, the Original Joe's group of restaurants also raised over $31,000 in support of Fort McMurray as well as an additional $150,000 for various other initiatives, including programs that provide meals to those in need. I'm also pleased to mention that with the acquisition of St-Hubert we committed to continuing the St-Hubert Foundation. Since its inception in 2012, the St-Hubert Foundation has donated more than $3.5 million to various causes. In 2016 alone, the Foundation donated over $1.1 million to more than 164 programs across Quebec, Ontario and New Brunswick. The mission of the Foundation is to contribute to the health and well-being of communities, especially families and children, and it has developed partnerships with United Way, Foundation Charles-Bruneau and Children's Wish Foundation.

Continued Growth

We are building on our 2016 successes, working hard to write the next chapter in Cara's growth story. Here are some of the key initiatives that will be driving Cara's success in 2017:

Acquisitions/Synergies – Generating top and bottom-line synergies from the St-Hubert and Original Joe's acquisitions is a key priority in 2017. St-Hubert, for example, will begin to ramp up its national food retail business for the Cara brands in 2017. St-Hubert will also begin to produce and supply certain recipe input products for Cara's existing network of restaurants, to the benefit of St-Hubert, Cara and franchise restaurant owners.

It's important to highlight that Cara's purchase of St-Hubert and Original Joe's resulted in a higher but still manageable level of debt – when giving pro forma affect to the St-Hubert and Original Joe's acquisitions, Cara's total Net Debt to Operating EBITDA ratio was 2.1x at the end of 2016. This leaves Cara comfortably positioned to service its existing debt and, at the same time, the ability to pursue acquisitions in 2017, albeit on a more modest scale.

Opportunities for Organic Growth – We continue to be heavily focused on growing sales and profits in our existing network of industry-leading brands. Many of the seeds that were planted in 2016 will begin bearing fruit in 2017 and beyond.

Net New Units – A key driver of our 5-7 year growth plan is the opening of net new restaurants. With strong restaurant economics and brands with broad franchisee and consumer appeal, we continue to prioritize net new restaurants as a key driver of growth for Cara. Excluding the 2016 addition of 221 restaurants from the St-Hubert and Original Joe's acquisitions and excluding Casey's closures, Cara opened 19 net (42 gross) new restaurants in 2016. Importantly, we also strengthened our pipeline of potential sites and growth-ready franchise partners, leaving us well-positioned for greater net new unit growth in 2017 and beyond.

Same Restaurant Sales – Another key growth lever for Cara is an ability to grow sales in our existing network of restaurants. 2016 contained many successful marketing and operations programs yet it also presented important learnings which will serve us well going forward. One area of learning, for example, involved renovations. In 2016, we continued to test and optimize new brand-specific renovation concepts. Including the test locations, a total of 73 renovations were completed across the Cara network in 2016. Encouraged by positive results, we are accelerating the rollout of new renovation packages across several brands in 2017, in both corporate and franchise stores. Over 110 renovations are expected to take place in 2017, meaning approximately 9% of Cara's total restaurant network will be significantly enhanced in the coming year on top of a combined 8% of the total network that was remodeled in 2015 and 2016.

In 2017, we also expect to drive positive same restaurant sales by connecting with our guests in more meaningful, interactive and relevant ways. Late in 2016, the Cara Executive Leadership Team was expanded to include a Chief Technology Officer. Along with this, Cara established in-house digital teams with software development, app development and "big data" capabilities. Already these new digital teams are collaborating on sophisticated customer data modeling and analytics to better target new and existing consumers through digital marketing channels. They are also working on building world-class mobile apps and web experiences for online ordering - new online ordering and mobile app platforms will be launched in 2017 for our marque brands. Our new digital teams are also developing ways to enhance our customers' experience by, for example, enabling them to pay-at-the-table with their own mobile phones. Digital initiatives impacting 2017 will also include enhanced WiFi in our restaurants and strategically increasing the digital media marketing spend across all brands. We are laying important groundwork in the area of digital marketing and foresee this becoming a competitive advantage for Cara.

In summary, 2016 was an exceptional year and I'm optimistic about the opportunities that lie ahead for the entire Cara organization. Together, we are on track to achieve the 2020-2022 long-term targets communicated as part of our 2015 IPO and, indeed, many of these targets are being achieved well before 2020. Through the process of reaching our financial targets, we are also continuing to make progress on ensuring that "every guest leaves happy".

Sincerely,

Bill Gregson,
Chief Executive Officer and Chair of the Board