

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event Reported): May 5, 2020

**Franchise Group, Inc.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation)

**001-35588**  
(Commission File Number)

**27-3561876**  
(I.R.S. Employer Identification Number)

**1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454**

(Address of Principal Executive Offices) (Zip Code)

**(757) 493-8855**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	FRG	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On May 5, 2020, Franchise Group, Inc. (the “Company”) issued a press release announcing its preliminary results for the first quarter ended March 28, 2020. A copy of the press release is being furnished with this Current Report on Form 8-K as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the exhibit, is being furnished to the Securities and Exchange Commission (the “SEC”) pursuant to Item 7.01 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any of the Company’s filings with the SEC under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 8.01. Other Events.*****First Quarter 2020 Quarterly Report on Form 10-Q***

The Company will be relying on the SEC’s Orders under Section 36 of the Exchange Act (Release Nos. 34-88318 and 34-88465) (the “Orders”), to delay the filing of its Quarterly Report on Form 10-Q for the quarter ended March 28, 2020 (“Form 10-Q”) due to the circumstances related to the ongoing coronavirus (COVID-19) pandemic. In particular, COVID-19 and related state-issued stay-at-home orders have caused the temporary closures of the Company’s corporate and business segment headquarters. The Company has curtailed its normal operations practices pursuant to state orders, public health orders and guidelines issued by local authorities which has resulted in travel restrictions and most of the Company’s staff working remotely. This has, in turn, delayed the Company’s ability to prepare the Form 10-Q. Notwithstanding the foregoing, the Company expects to file the Form 10-Q no later than June 22, 2020 (which is 45 days from the Form 10-Q original filing deadline of May 7, 2020).

***COVID-19 Risk Factor***

See the Risk Factors previously disclosed in Item 1A. of the Company’s Transition Report on Form 10-K/T for the transition period ended December 28, 2019 filed with the SEC on April 24, 2020.

***Special Note Regarding Forward-Looking Statements***

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate,” “plan,” “project,” “could,” “should,” “would,” “continue,” “seek,” “target,” “guidance,” “outlook,” “if current trends continue,” “optimistic,” “forecast” and other similar words. Such statements include, but are not limited to, statements about the Company’s plans, objectives, expectations, intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on the Company’s current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in the Company’s Transition Report on Form 10-K/T for the transition period ended December 28, 2019 (especially in Part I, Item 1A. Risk Factors and Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations), and other risks and uncertainties listed from time to time in the Company’s other filings with the Securities and Exchange Commission. There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. In particular, the effects of the coronavirus (COVID-19) pandemic on economic conditions and the industry in general and the financial position and operating results of the Company in particular are changing rapidly and cannot be predicted or quantified at this time. The Company does not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.

**Item 9.01. Financial Statements and Exhibits.*****(c) Exhibits***

[99.1](#) [Press Release dated May 5, 2020.](#)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Franchise Group, Inc.**

Date: May 5, 2020

By: /s/ Eric F. Seeton  
Eric F. Seeton  
Chief Financial Officer

## Franchise Group, Inc. Provides Business Update

VIRGINIA BEACH, Va., May 05, 2020 (GLOBE NEWSWIRE) -- Franchise Group, Inc. (NASDAQ: FRG) (“Franchise Group” or the “Company”) today is providing another business update, including the impact of COVID-19 on its operations.

Brian Kahn, CEO of Franchise Group, stated, “Our top priority continues to be the health and safety of our employees, customers, and their families and neighbors. We continue to adhere to and implement best practices issued by health officials, as well as federal, state and local governments with regard to the health and safety and the status of our various brands’ stores. We are working closely with our business partners and constituents during this time and are committed to meeting our business obligations while serving our communities and customers.”

Mr. Kahn continued, “From an operating perspective, we have spent the last seven weeks primarily playing defense. We have been managing our balance sheet by conserving cash. At the end of fiscal April, we had over \$120 million of cash in our system and we expect to receive over \$40 million of tax refunds before the end of July. While we continue to monitor all opportunities under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) on a daily basis, we do not believe there will be material loan opportunities for us at this time.

“As state issued stay-at-home and shelter-in-place orders are being lifted and stimulus checks have been widely distributed across the country, our attention is turning towards playing offense. For example, we have been carefully reopening American Freight stores, which troughed at 22 open locations, but are currently ranging from 140 to 150 open stores out of 172 total locations on any given day. When safe and feasible, we are committed to operating our storefronts to meet the personal needs of our customers and employees alike.”

The Company also announced preliminary estimated financial results for the first fiscal quarter of 2020. For the first fiscal quarter of 2020 which includes the results of American Freight from the acquisition date of February 14, 2020, the Company estimates:

(\$ in millions, except per share data)

	For the Three Months Ended March 28, 2020	
	Low	High
Revenue	\$ 585	\$ 605
GAAP Net Income	\$ 19	\$ 24
Adjusted EBITDA	\$ 83	\$ 103
GAAP EPS	\$ 0.54	\$ 0.67
Non-GAAP EPS	\$ 1.25	\$ 1.58

Overall, we are pleased with the resiliency of our brands’ performance in an unprecedented environment. Stay-at-home and shelter-in-place orders have primarily been limited to our American Freight and The Vitamin Shoppe brands. American Freight experienced the greatest negative impact on operations which at its trough had 150 of its 172 stores closed, and the seasonal Liberty Tax business, which would typically see the March 15<sup>th</sup> to April 15<sup>th</sup> period generate approximately 30% of total annual return volume. The extension of the IRS filing deadline from April 15<sup>th</sup> to July 15<sup>th</sup> had a negative impact on the Liberty Tax business for the first quarter as many of its customers delayed their IRS filings. Although The Vitamin Shoppe’s retail business was negatively impacted from 90 store closures and lower foot traffic due to stay-at-home and shelter-in-place guidelines, its direct-to-customer channel had a significantly positive impact on revenue this quarter. Overall, a rapid shift in consumer sentiment toward immune system support and general wellness allowed The Vitamin Shoppe to have positive comparable same store sales for the first quarter as compared to the first quarter of 2019. The American Freight Outlet (formerly Sears Outlet) and Buddy’s Home Furnishings businesses had very few stores closures and performed close to their individual plans, largely due to a spike in refrigeration demand combined with both businesses’ flexible payment options.

### Non-GAAP Financial Measures and Key Metrics

This press release includes Adjusted EBITDA and non-GAAP earnings per share. Adjusted EBITDA represents net income before interest, income taxes, depreciation and amortization adjusted for certain non-core or non-operational items related to restructuring and related charges, early extinguishment of debt costs, litigation settlement costs, transaction-related costs, and fair value acquisition accounting adjustments related to inventory. Adjusted EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles (“GAAP”). Management believes that Adjusted EBITDA is useful to investors as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period because they exclude items that we do not believe are reflective of our core or ongoing operating results. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to evaluate performance and make resource allocation decisions each period. Adjusted EBITDA is also the primary operating metric used in the determination of executive management’s compensation. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement information prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

Below is a reconciliation of management’s estimate of net income to estimated Adjusted EBITDA and GAAP EPS to Non-GAAP EPS for the three months ended March 28, 2020. In the table below, we provide an estimated range of the items we exclude from our calculation of Adjusted EBITDA and Non-GAAP EPS.

### Reconciliation of GAAP to Non-GAAP Financial Measures

(\$ in millions, except per share data)

	Low	High
GAAP Net income	\$ 19	\$ 24
Adjustments:		
Interest expense, net	17	20
Income tax expense	6	9
Depreciation & amortization	16	19
Other estimated non-core items <sup>(1)</sup>	25	32
Adjusted EBITDA	\$ 83	\$ 103
GAAP EPS	\$ 0.54	\$ 0.67
Adjustments:		
Other estimated non-core items <sup>(1)</sup>	0.71	0.91
Non-GAAP EPS	\$ 1.25	\$ 1.58

(1) Includes restructuring and related charges, early extinguishment of debt costs, litigation settlement costs, transaction-related costs, and fair value acquisition accounting adjustments related to inventory.

### **Preliminary Financial Information**

The preliminary financial results and other information provided above are subject to the completion of the Company's financial closing procedures, final adjustments and any other developments that may arise between now and the time the financial results for the first quarter of 2020 are finalized, including the impact of COVID-19 on the Company's business. Therefore, this information represents management estimates that constitute forward-looking statements subject to risks and uncertainties. As a result, the preliminary financial results and other information described above may materially differ from the actual results that will be reflected in the consolidated financial statements for the quarter when they are completed and publicly disclosed. In addition, preliminary results for the first quarter are not necessarily indicative of operating results for any future quarter or results for the full year.

### **About Franchise Group, Inc.**

Franchise Group, Inc. (NASDAQ: FRG) is an operator of franchised and franchisable businesses and uses its operating expertise to drive cost efficiencies and grow its brands. Franchise Group's business lines include Liberty Tax Service, Buddy's Home Furnishings, American Freight and The Vitamin Shoppe. On a combined basis, Franchise Group currently operates over 4,400 locations predominantly located in the U.S. and Canada that are either Company-run or operated pursuant to franchising agreements.

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, projections, predictions, expectations, or beliefs about future events or results and are not statements of historical fact, including the Company's expectations regarding its financial condition, its preliminary first quarter financial results, the amount and timing of anticipated tax refunds, its ability to take advantage of opportunities under the CARES Act, and the effects of the coronavirus (COVID-19) pandemic on economic conditions and the industry in general and the financial position and operating results of the Company. These statements are based upon current expectations, beliefs and assumptions of Company management, and there can be no assurance that such expectations will prove to be correct. Such forward-looking statements are based on various assumptions as of the time they are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are often accompanied by words that convey projected future events or outcomes such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," or words of similar meaning or other statements concerning opinions or judgment of the Company or its management about future events. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of the Company will not differ materially from any projected future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results, performance or achievements may differ materially from historical results or those anticipated depending on a variety of factors, many of which are beyond the control of the Company. We refer you to the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's Transition Report on Form 10-K/T for the transition period ended December 28, 2019, and comparable sections of the Company's Quarterly Reports on Form 10-Q and other filings, which have been filed with the SEC and are available on the SEC's website at [www.sec.gov](http://www.sec.gov). All of the forward-looking statements made in this press release are expressly qualified by the cautionary statements contained or referred to herein. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on the Company or its business or operations. Readers are cautioned not to rely on the forward-looking statements contained in this press release. Forward-looking statements speak only as of the date they are made and the Company does not undertake any obligation to update, revise or clarify these forward-looking statements, whether as a result of new information, future events or otherwise.

### **INVESTOR RELATIONS CONTACT:**

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