



Franchise Group Reaches Agreement with First Lien Lenders to Substantially Reduce Debt, Enhance Liquidity, and Best Position Profitable Operating Businesses for Sustainable Growth

Leading Brands Pet Supplies Plus, The Vitamin Shoppe, and Buddy's Home Furnishings to Serve Customers as Usual at Locations Nationwide and Online as Part of Strengthened Go-Forward Enterprise

Commences Voluntary Chapter 11 Cases to Implement Agreed-Upon Restructuring Plan

\$250 Million of DIP Financing Committed to Support Ordinary Course Operations Across Businesses

American Freight to Wind Down Operations and Commence Store Closing Sales on November 5

DELAWARE, Ohio, November 3, 2024 – Franchise Group, Inc. (“FRG” or the “Company”) today announced that it has entered into a restructuring support agreement (“RSA”) with holders of approximately 80% of its first lien debt on a comprehensive solution to strengthen FRG’s capital structure and best position its leading brands – Pet Supplies Plus, The Vitamin Shoppe, and Buddy’s Home Furnishings – for continued sustainable growth.

The RSA contemplates the proposed equitization of the first lien debt into 100% of the equity in the reorganized enterprise, which would substantially reduce the Company’s debt, enhance liquidity, and strengthen the enterprise for the benefit of Pet Supplies Plus, The Vitamin Shoppe, and Buddy’s Home Furnishings and their stakeholders.

To implement the agreed-upon restructuring, FRG, its operating businesses, and the Company’s other affiliates commenced voluntary Chapter 11 proceedings in the U.S. Bankruptcy Court for the District of Delaware. Franchised locations of FRG’s brands are not part of the proceedings.

As part of the restructuring plan, the first lien lender group has committed \$250 million in debtor-in-possession financing which, subject to Court approval and together with cash on hand, will provide FRG with ample liquidity to maintain operations across its businesses and fulfill go-forward commitments to employees, customers, vendors, franchise partners, and other stakeholders of FRG, Pet Supplies Plus, The Vitamin Shoppe, and Buddy’s Home Furnishings in the ordinary course.

“Today’s announcement to de-lever our balance sheet is a pivotal step forward in enabling our market-leading businesses Pet Supplies Plus, The Vitamin Shoppe, and Buddy’s Home Furnishings to realize their full potential,” said Andrew Laurence, FRG’s President and Chief Executive Officer. “Each of these businesses has a demonstrated value proposition and provides great products and services to customers, which they will continue to do seamlessly during this process. Strengthening FRG’s balance sheet will allow us to enhance our support for these businesses as they advance their growth trajectories.”

As part of this strategy, FRG has determined to wind down American Freight, which has struggled due to sustained inflation and macroeconomic challenges facing the large durable goods sector. It will be commencing store closing sales at locations nationwide and online on November 5.

The Company is filing with the Court a series of customary motions to maintain business-as-usual operations on all fronts for Pet Supplies Plus, The Vitamin Shoppe, Buddy's Home Furnishings, and FRG during the process. These "first day" motions include requests to continue to pay wages and provide benefits to employees in the ordinary course and offer relied-upon customer programs. Vendors of the go-forward operating businesses will be paid in the ordinary course for authorized goods received and services rendered after the filing.

As part of this process, FRG also intends to engage in a marketing process via Court-approved bidding procedures, which will ensure that the Company is maximizing value and best positioning its operating businesses for long-term success as it pursues confirmation of the agreed-upon prearranged Chapter 11 Plan. The Plan and an explanatory Disclosure Statement will be filed with the Court in the coming days.

Court filings and other information regarding the Chapter 11 proceedings can be found at <https://cases.ra.kroll.com/FRG>. Vendors with questions can call (844) 285-4564 (toll-free) and +1 (646) 937-7751 (international) or email FRGInquiries@ra.kroll.com.

Willkie Farr & Gallagher LLP and Young Conaway Stargatt & Taylor, LLP are serving as legal counsel, AlixPartners is serving as financial advisor and Chief Restructuring Officer, and Ducera Partners is serving as investment banker to the Company. Paul Hastings LLP is serving as legal counsel and Lazard is serving as investment banker to the first lien ad hoc group.

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