MTY FOOD GROUP INC.

8210 Trans-Canada Road
St-Laurent, Quebec, H4S 1M5

Annual Information Form
For the year ended November 30, 2020

February 17, 2021

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PRELIMINARY NOTES AND CAUTIONARY STATEMENT

Date of Information

Unless stated otherwise, the information presented in the Annual Information Form is as at November 30, 2020.

Currency

All currency references in this Annual Information Form ("AIF") are in Canadian dollars.

Information Incorporated by Reference

Certain information and documents referred to in the document such as financial statements and management discussion and analysis are available on the Canadian System of Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's name.

In this AIF, "MTY Food Group Inc.", "MTY" or the "Company" designates, as the case may be, MTY Food Group Inc. and its subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

Non-IFRS Measures

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS"). This AIF does makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by the competitors in the restaurant industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. MTY uses "adjusted EBITDA", "normalized adjusted EBITDA", "free cash flows", "same-store sales", "system sales" and "debt-to-EBITDA" which are commonly used operating metrics in the restaurant industry but may be calculated differently by other companies in the restaurant industry. These non-IFRS measures and restaurant industry metrics are used to provide investors with supplemental measures of the Company's operating performance and liquidity and thus highlight trends in the business that may not otherwise be apparent when relying solely on IFRS measures. The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes that certain investors and analysts use adjusted EBITDA to measure a company's ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, same store sales growth and system sales provide additional information to investors about the performance of the network that is not available under IFRS. Some of these measures are also components in the determination of short-term incentive compensation for some employees.

The definition of these non-IFRS financial measures is as follows:

Adjusted EBITDA	Represents revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit of a joint venture accounted for using the equity method.
Normalized Adjusted EBITDA	Normalized EBITDA is adjusted EBITDA before transaction costs related to acquisitions.
Free Cashflow	Represents the sum total cashflows from operating activities less capital expenditures.
Same-store sales	Comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.
System sales	System sales are sales of all existing restaurants including those that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

MTY uses adjusted EBITDA, because this measure enables management to assess the Company's operational performance. Same store sales growth provides information on the comparative performance of the restaurants in the network from one period to the next. Similarly, the Company uses system sales to evaluate the size and performance of MTY's network, as well as to indicate its income-generation potential.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with IFRS and may not be comparable to those presented by other companies. These non-IFRS measures are intended to provide additional information about the performance of MTY and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with IFRS.

Cautionary Statement Regarding Forward-looking Information

This AIF contains forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2020. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this AIF describe the Company's expectations as at February 17, 2021 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this AIF for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes. In addition, the impact of COVID-19 on the operational cash flows and financial condition of the industry in which the Company operates and on the Company itself continues to evolve and any forward-looking information set forth herein with respect to such matters is subject to change and actual impact may differ from expectations in a material way.

Forward-looking statements made in this AIF are based on a number of assumptions that are believed to be reasonable on February 17, 2021. Refer, in particular, to the section of this AIF entitled "Risk Factors" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this AIF. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this AIF include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the duration and impact of the COVID-19 pandemic, its impact on the ability to re-open locations as well as on consumer demand upon re-opening and its macro-economic impact; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates or borrowing rates; foodborne illness; operational constraints, government orders and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from the expectations expressed in or implied by these forward-looking statements are discussed in this AIF.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 17, 2021. The financial impact of these transactions and non-recurring and other special items can be complex and depend on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting the business.

CORPORATE STRUCTURE

Name, Address and Incorporation of the Company

MTY Food Group Inc./Le Groupe d'Alimentation MTY inc. is a corporation established under the laws of the *Canada Business Corporations Act*. The Company was originally named 318782 B.C. Ltd. incorporated under the laws of the Province of British Columbia pursuant to Articles of Incorporation dated December 11, 1986 and changed its name to "Faber Resources Corp." on January 20, 1987. Subsequently, it changed its name to "Golden Sky Resources Inc.'' on November 12, 1987 and to "Golden Sky Ventures International Inc." on June 7, 1994. Golden Sky Ventures International Inc. was continued under section 187 of the *Canada Business Corporations Act* on July 26, 2000 and changed its name to "iNsu Innovations Group Inc.". On July 8, 2003, the name of the Company was changed from iNsu Innovations Group Inc. to "MTY Food Group Inc.".

The registered and head office of the Company is located at 8210 Trans-Canada Highway, St-Laurent, Quebec, H4S 1M5.

Intercorporate Relationships

The following table sets forth the main operating subsidiaries of the Company, their jurisdiction of incorporation and the percentage of voting rights attached to voting securities held by the Company.

Name of subsidiary	Percentage of voting rights held		Jurisdiction of incorporation
	Directly	Through subsidiaries	
MTY Franchising Inc.	100%	—	Canada
MTY Franchising USA, Inc.	—	100%	Delaware
Kahala Brands Ltd.	—	100%	Delaware
Papa Murphy's Holdings Inc.	—	100%	Delaware

GENERAL DEVELOPMENT OF THE BUSINESS

3 Year History

Highlights of the 2020 fiscal year

On December 3, 2019, one of the Company's wholly owned subsidiaries completed its acquisition of a 70% interest in a joint venture that acquired Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group"), three casual dining concepts operating in the province of Ontario, for a consideration of $27.1 million, which includes a deferred contingent consideration amounting to $4.1 million, an obligation for the repurchase of its partner in a joint venture of $2.9 million and cash consideration of $19.1 million. The Company has recorded its interest as a long-term receivable. The Company has guaranteed liabilities of the joint venture amounting to $7.9 million, which are payable to Tortoise Group, upon the repurchase of the 30% joint venture partner. At closing, there was 20 franchised restaurants in operation and three corporate-owned stores.

In December 2019, a novel strain of coronavirus was reported to have surfaced, later to be renamed COVID-19. The spread of this virus caused a business disruption beginning in March 2020, due to government and health authority imposed restrictions and changes in customer behavior in Canada, the US and Internationally. See section "COVID-19" for further details.

On June 29, 2020, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2020 and will end on July 2, 2021 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,235,323 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the Toronto Stock Exchange

(“TSX”) and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX’s applicable policies. All common shares purchased pursuant to the NCIB will be cancelled. During the fiscal year ended November 30, 2020, the Company repurchased and cancelled a total of 364,774 common shares at a weighted average price of $51.72 per common share, for a total consideration of $18.9 million. For the year, an excess of $14.3 million of the shares repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

Until May 31, 2021, the credit agreement amendment contains various limitations on distributions. The main limitations on distributions impose restrictions on the repurchase of MTY’s common shares through its NCIB process until such time as the debt-to-EBITDA falls below 3.50:1.00 ratio.

Highlights of the 2019 fiscal year

On December 10, 2018, the Company completed its acquisition of most of the assets of Casa Grecque for a total consideration of $22.0 million, of which $20.9 million was financed from MTY’s cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $1.3 million was held back.

On March 21, 2019 the Company acquired the assets of South Street Burger for a total consideration of approximately $4.9 million. A total of approximately $4.1 million was paid on closing, financed from MTY's cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $0.7 million was held back. At closing, there were 24 franchised restaurants and 13 corporate restaurants in operation.

On May 23, 2019, the Company, through the merger of a wholly-owned US subsidiary with Papa Murphy’s Holding Inc. (“PM”), acquired all the outstanding shares of PM. The total consideration for the transaction was $255.2 million. At closing, PM operated 1,301 franchised and 103 corporate-owned stores in the U.S., Canada and United Arab Emirates.

On July 15, 2019, the Company’s Canadian operations completed its acquisition of the assets of Yuzu Sushi for a total consideration of $27.6 million. A total of approximately $25.4 million was paid on closing, financed from MTY’s cash on hand and existing credit facility and $2.2 million was held back in the form of contingent consideration. At closing, there was 129 franchised restaurants in operation.

On July 19, 2019, the Company’s Canadian operations completed its acquisition of the assets of Allô! Mon Coco for a total consideration of $30.7 million. A total of approximately $24.1 million was paid on closing, financed from MTY’s cash on hand and existing credit facility, while $0.2 million in net liability was assumed and $7.1 million was held back in the form of contingent consideration and holdbacks. At closing, there was 40 franchised restaurants in operation.

Highlights of the 2018 fiscal year

On December 1, 2017, the Company announced that it had completed the acquisition of the limited liability company interests in CB Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $31.0 million (US$ 23.5 million) of which $28.3 million (US$ 22.3 million) was paid at closing. At closing 41 franchised and 3 corporately owned restaurants were in operation.

On March 1, 2018, the Company, through the merger of a wholly-owned subsidiary with Imvescor Restaurant Group Inc. (“IRG”), acquired all the outstanding shares of IRG. The total consideration for the transaction was $250.8 million, of which $53.1 million was settled in cash and the remaining in shares. At closing IRG operated 5 brands in Canada and had 261 locations in operation.

On March 15, 2018, one of the Company’s wholly-owned subsidiaries acquired the assets of Grabbagreen®. The total consideration amounted to $3.4 million (US$ 2.6 million), of which $3.1 million (US$ 2.4 million) was paid on closing. At closing, there were 27 locations in operation in the United States.

On April 4, 2018, one of the Company’s wholly-owned subsidiaries acquired the assets of Timothy’s World Coffee® and Mmmuffins®. The total consideration amounted to $1.3 million, of which $1.2 million was paid on closing. At closing, there were 39 locations in operation in Canada.

On September 25, 2018, the Company announced that it had completed the acquisition of substantially all of the assets of SweetFrog Premium Frozen Yogurt for $41.5 million (US$ 32.1 million). Of this total, $37.4 million (US$ 28.9 million) was paid on closing. At closing, there were 331 franchised/licensed locations in the US and 8 located internationally.

COVID-19

In December 2019, a novel strain of coronavirus was reported to have surfaced, later to be renamed COVID-19. The spread of this virus caused a business disruption beginning in March 2020, due to government and health authority imposed restrictions and changes in customer behavior in Canada, the US and Internationally.

Further while the disruption continues to come in waves, there is uncertainty around the duration of the pandemic, its medium to longer term impact on the economy and the rules that will apply to MTY's restaurants as sheltering measures are continuous changed. The impact of the virus and the efforts to stop it impact MTY and many of its franchisees materially.

Although the third quarter was met with the gradual lifting of restrictive public health measures which allowed restaurants within the network to slowly resume normal operations within Canada and the USA, the fourth quarter saw new restrictions imposed in the Canadian network as a second wave of the virus spread. While the pandemic persists, MTY continues to focus on the health and safety of its customers, employees and franchisees as well as supporting restaurants across its network. The government-imposed restrictions and public health authorities evolving response to COVID-19 continue to impact MTY. During the fourth quarter, many restaurants in MTY's Canadian network were forced to operate as delivery and take-out options only as a result of a resurgence of COVID-19 cases in the provinces. These new government-imposed restrictions continue to impact the health of the network. As a result, the number of affected locations will continue to fluctuate in response to the rapidly changing environment, with a corresponding effect on customer traffic volumes and revenue at these locations. The majority of the brands in MTY's portfolio will continue to be impacted negatively for the coming months. As at November 30, 2020, MTY had 338 locations temporarily closed with many of those open operating at reduced capacity. During the months of September, October and November, MTY's network lost a total of 30,222 days (21,161 in Canada and 9,061 in the US) of combined operations with a total of 364 locations temporarily closed at the beginning of the quarter and a second wave of restrictions being imposed in Canada throughout the fourth quarter. Locations that are still temporarily closed are mostly located in mall locations, office towers and non-traditional locations such as airports, gyms and universities.

Since March, MTY has put into place a series of measures in an attempt to help franchisees and ensure the safety and well-being of their employees, guests and partners:

- Postponed the collection of royalties from franchisees for a period of time;
- Helped franchisees with the Canada Emergency Commercial Rent Assistance ("CECRA") program and Canada Emergency Rent Subsidy ("CERS") applications;
- Put in new safety measures within its network of restaurants such as increased cleaning frequency, the use of face shields or masks and gloves, the installation of plexiglass at service counters and the suspension of certain practices like the use of reusable cups, in order to minimize risk;
- Signed partnership with aggregators to help facilitate the delivery of food offerings;
- Invested and enhanced online ordering technologies to improve the customer experience for many of the brands and help facilitate take-out, curbside pick-up and delivery orders;
- Implemented a work from home policy.

The Company also continues to make efforts to preserve capital resources during this challenging and unpredictable time:

- Participated in Canada Emergency Wage Subsidy ("CEWS") and CERS;
- Capital and operational spending was reduced to a minimum.

For the fourth quarter, MTY's consolidated financial statements have been impacted with respect to the following as a result of government-imposed restrictions:

- Additional expected credit losses on finance lease receivables were taken;
- Impairment of right-of-use assets and corporate store capital assets were recorded;
- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms.

Further information on these changes can be found in the November 30, 2020 consolidated financial statements.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

Overview

The Company is among North America's leading franchisors of the restaurant industry. Its activities consist of franchising and operating corporate-owned locations in the quick service restaurant (''QSR'') and casual dining segments of the restaurant industry as well as the sale of retail products under a multitude of banners. The Company also operates two distribution centers and two food processing plants, which are all located in the province of Quebec. Its multi-concept model allows the Company to position itself across a broad range of demographic, economic and geographic sectors. The Company's concepts are as follows:

The Company operates two main geographical segments: the Canadian operations and the USA & International operations. In both cases, the operations mainly consist of franchising in the quick-service and casual dining restaurant industry. As such, the main revenue streams for both segments are royalties, franchise fees, sales of services and material to franchisees and other franchising revenues.

The Company also operates some corporate restaurants – as at November 30, 2020, the Company had 37 corporate outlets in Canada and 76 in the United States.

Restaurant Industry

COVID-19 had a tremendous impact on the foodservice industry in 2020, testing the agility and innovation of this important sector of the Canadian and US economies. Due to the pandemic, 2020 foodservice sales were forecasted to fall by more than 30% in Canada. Of all major industries in Canada, foodservice was one of the hardest hit, resulting in 20% of all jobs lost due to COVID-19[1]. However, a challenging year has also provided this industry with the chance to exhibit its innovation and ability to forecast consumer demands. Due, in part to health concerns, many trends emerged in 2020 such as online ordering, digital sales, delivery and curbside pickup.

In terms of operations, the increase in online ordering, digital sales, delivery and curbside pickup have added new challenges but also new opportunities to the restaurant industry. Other trends that have also emerged include paring down menu items, ghost kitchens and increased delivery options through third party aggregators[2]. Of note, digital sales

[1] Source: Restaurants Canada, Foodservice Facts, 2020
[2] Ibid

accounted for 20% of all sales in 2020 versus 5% in 2018[1] in the market. These are expected to reach 54% of the industry by 2025. For MTY, digital sales increased grew to $636.4 million from $199.2 million the year before, for the year ended November 30, 2020 and represented 19% of sales.

The pandemic also impacted the consumer side, where at its lowest point in the year, food-away-from-home spending was down 50.8% year-over-year in the United States[2].

In Canada, annual foodservice sales are expected to decline between 24.4% and 48.4% in 2020 compared to 2019, which is the equivalent of a $21.2-$39.0 billion loss in sales. 2020 was the year of Deliveries and Drive Thru's. While Quick Service Restaurants experienced nearly half of sales split between Delivery and Takeout, Full-Service restaurants Takeout orders accounted for nearly 70% of on- and off-premise dollars in 2020[3].

2020 was a difficult year for restaurant owners, many of whom experienced varying degrees of worry that their businesses wouldn't have enough liquidity to weather the crisis. The main source of debt this year has been rent, with paying vendors, business taxes and payroll following behind. A majority of owners expect it will take 12-18 months to return to profitability post-pandemic[4].

The Company's current market share in North America remains under 1% of the market. In the United States, Papa Murphy's Pizza and Cold Stone Creamery rank in the top 150[5] chains.

Development of the Business

A number of the Company's concepts were developed internally while the others were added through the several acquisitions completed by MTY over the years. The table below lists those concepts developed by MTY:

Concept	Year of launch of first location
Tiki Ming®–Chinese Cuisine	1983
Sukiyaki® - A Japanese delight	1988
Franx Supreme® – hot dog/hamburger[1]	1989
Chick'n'Chick[2]	1995
Panini Pizza Pasta®	1995
Caferama®[3]	1999
Villa Madina®	2003
Kim Chi Korean Delight®	2006
Vie & Nam®	2008
Tandori	2008
O'Burger®	2008
Tosto Quickfire Pizza Pasta®	2015
Ginger Sushi Boutique®	2017
La Boite Verte®	2019
Eat Pure®	2019

[1] The last Franx Supreme outlet was closed during the Company's 2019 fiscal period

[2] The last Chick'n'Chick outlet closed during the 2013 fiscal period

[3] The last Caferama outlet was closed during the Company's 2012 fiscal period

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[1] Source:IncisivResearch, https://www.incisiv.com/hubfs/ebook/Limited%20Service%20Restaurant%20Digital%20Maturity%20Benchmark,%202020/Restaurant%20BM%20Report.pdf?vgo_ee=IvmfCMJYh4fM%2FUvGQLOd13wFoqDlMHNmyq65fGLdufk%3D

[2] Source: United States Department of Agriculture: https://www.ers.usda.gov/data-products/charts-of-note/charts-of-note/?topicId=2b168260-a717-4708-a264-cb354e815c67

[3] Source: Restaurants Canada, Foodservice Facts, 2020

[4] Source: Restaurants Canada, Foodservice Facts, 2020

[5] Source: Restaurants Business, https://www.restaurantbusinessonline.com/top-500-2020

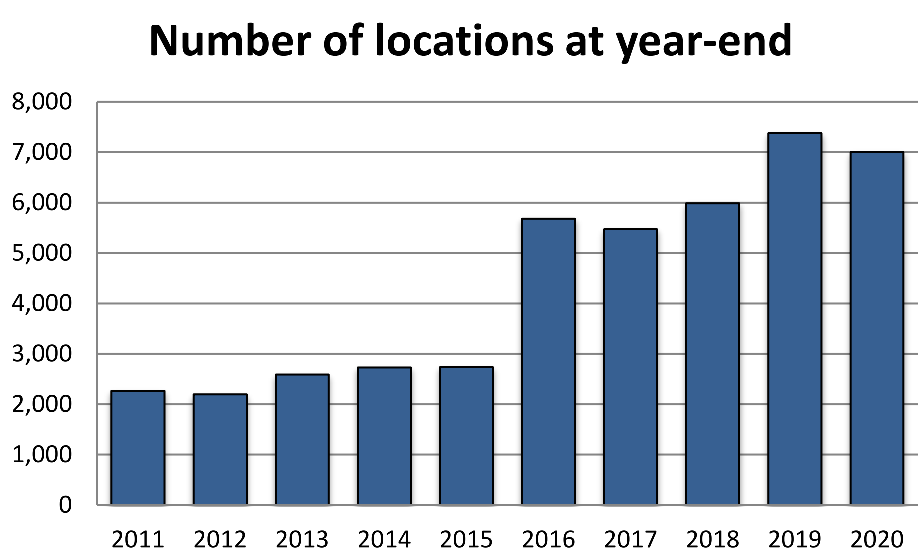
In the wake of COVID-19, MTY also launched multiple ghost kitchens in existing restaurant locations during the year. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

The following table provides details on the acquisitions completed by MTY to date:

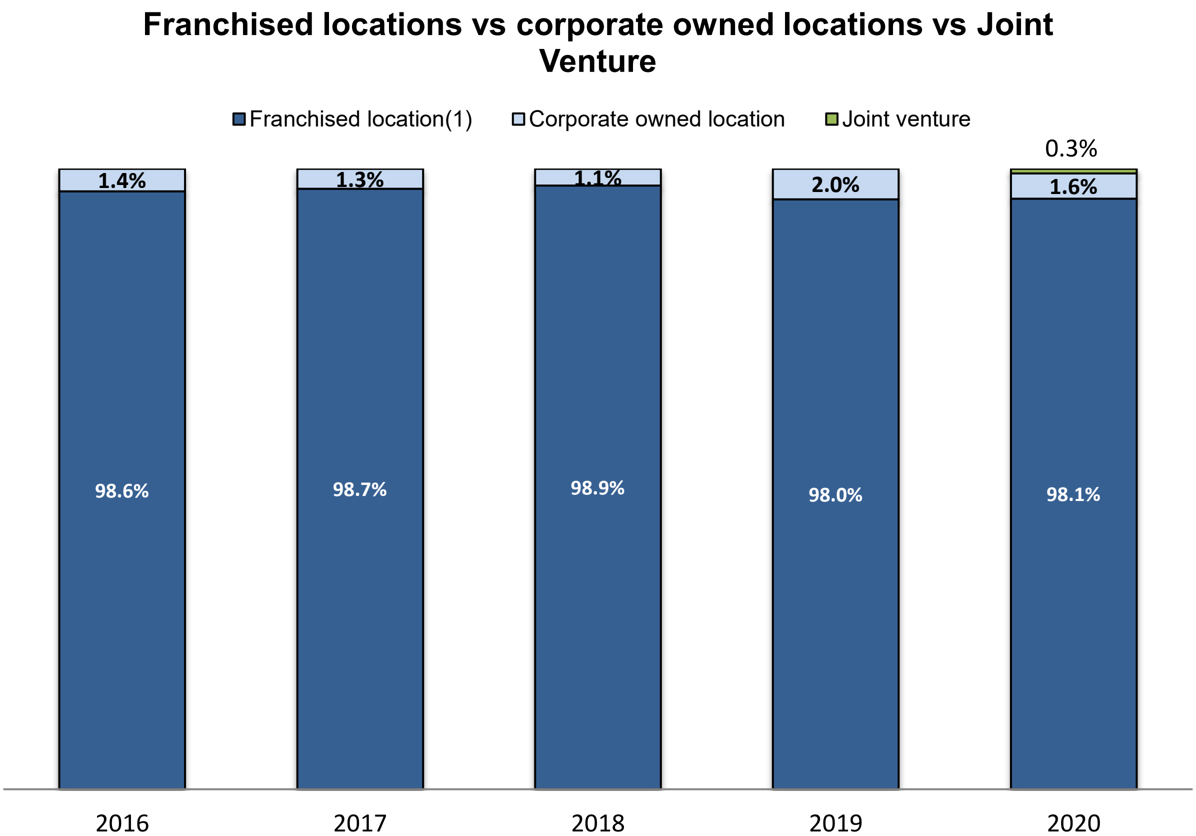
Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the United States	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60% + 5%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Houston Avenue Bar & Grill and Industria Pizzeria + Bar	June 2017	80%	12	—
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina	December 2019	70%	20	3

The growth in the number of locations over the last 10 years came primarily from the acquisitions described above. However new locations are frequently opened thus also contributing to the growth in MTY's location count. As at November 30, 2020, 7,001 locations were in operation. The chart below provides details on the locations' growth over the last 10 years:



Out of the 7,001 locations in operation, 6,867 were franchised or subject to an operator agreement,113 locations are operated by MTY and the remaining 21 are from a joint venture The following chart provides historical details on the breakdown between the number of franchised locations and corporate owned locations:



(1) *Franchised or subject to an operator agreement*

MTY's locations can be found in: i) mall and office tower food courts and other shopping mall locations; ii) street front; and iii) non-traditional format within airports, hospitals, campuses, petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks and in other venues or retailers shared sites.

The table below provides the breakdown of MTY's locations unit counts and system wide sales by type as at the two most recent completed fiscal years:

Location type	% of location count November 30		% of system sales 12 months ended November 30	
	2020	2019	**2020**	2019
Shopping mall & office tower food courts	**15%**	16%	**10%**	17%
Street front	**63%**	63%	**82%**	72%
Non-traditional format	**22%**	21%	**8%**	11%

The geographical breakdown of MTY's locations and system sales consists of:

Geographical location	% of location count November 30 **2020**	% of location count November 30 2019	% of system sales 12 months ended November 30 **2020**	% of system sales 12 months ended November 30 2019
Canada	**38%**	38%	**35%**	46%
US	**55%**	55%	**61%**	49%
International	**7%**	7%	**4%**	5%

The location count by concepts at November 30, 2020 appear in the table below:

Canada	
Allô! Mon Coco®	41
Bâton Rouge	30
Ben & Florentine	57
Big Smoke Burger®	13
Built Custom Burgers	1
Buns Master®	3
Café Dépôt ®	46
Casa Grecque®	29
Country Style®	277
Cultures®	37
Dagwoods Sandwiches & Salads®	16
Eat Pure®	1
Extreme Pita®	52
Giorgio Ristorante®	3
Houston Avenue Bar & Grill ®	6
Industria Pizzeria + Bar ®	7
Jugo Juice®	101
Kim Chi Korean Delight ®	10
Koryo Korean Barbeque®	12
Koya Japan®	11
La Boite Verte®	2
La Crémière®	30
La Diperie	45
Madisons ®	11
Manchu Wok ®	70
Mikes ®	68
MMMuffins®	1
Mr Souvlaki®	21
MR.SUB®	235
Ms. Vanellis ®	11
Mucho Burrito ®	141
Muffin Plus ®	20
O`burger®	2
Papa Murphy's ®	13
Pizza Delight®	69
Scores®	32
SensAsian®	1
South Street Burger®	32
Steak Frites St-Paul®	5
Sukiyaki®	7
SushiGo ®	3
Sushi-Man ®	11
Sushi Shop®	159
Taco Time®	122

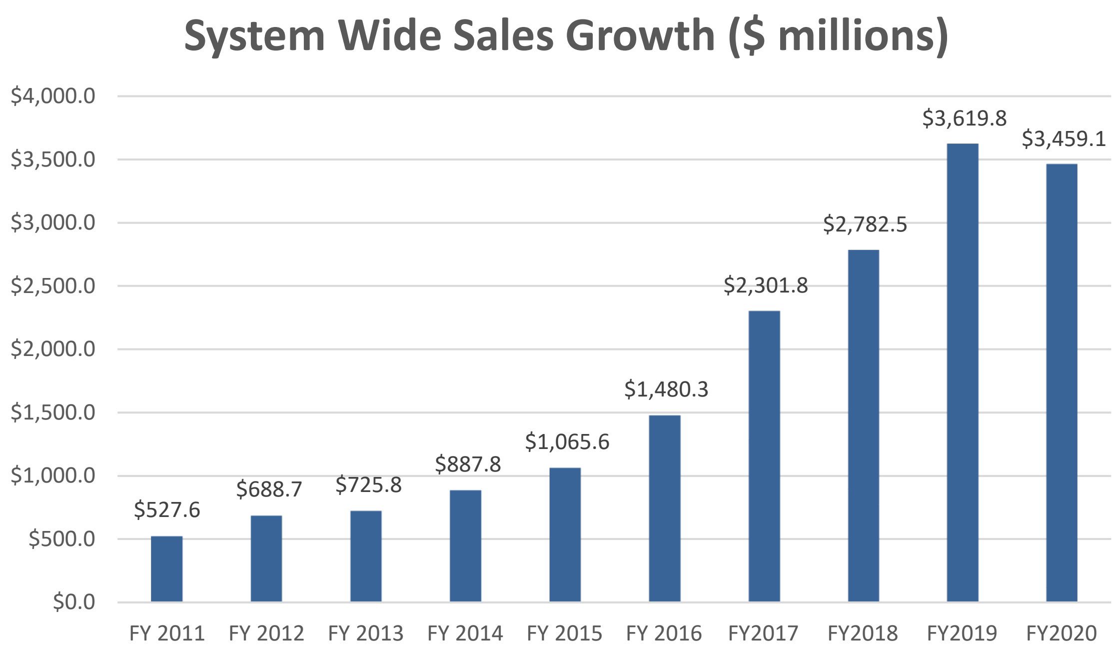
United States and International	
America's Taco Shop ®	3
Baja Fresh Mexican Grill ®	106
Big Smoke Burger ®	4
Blimpie ®	164
Built Custom Burgers	6
Cereality ®	1
Cold Stone Creamery ®	1,266
Extreme Pita®	1
Frullati Café & Bakery®	11
Grabbagreen®	20
Great Steak ®	47
Johnnie's New York Pizzeria	2
Kahala Coffee Traders®	6
La Salsa Fresh Mexican Grill ®	11
Manchu Wok ®	28
Maui Wowi Hawaiian Coffees & Smoothies ®	311
MR. SUB ®	4
Ms. Vanellis ®	37
Mucho Burrito ®	4
NrGize Lifestyle Café ™	76
Pad Thai ®	10
Papa Murphy's ®	1,315
Pinkberry ®	94
Planet Smoothie ®	145
Ranch One ®	2
Rocky Mountain Chocolate Factory ®	97
Rollerz™	1
Samurai Sam's ®	13
South Street Burger®	1
Sukiyaki ®	2
Surf City Squeeze ®	76
SweetFrog®	277
Taco Time ®	112
Tandori ®	1
Tasti D-Lite ™	5
Thai Express®/ Pad Thai®	17
The Counter®	34
Van Houtte ®	1
Total	**4,311**

Canada	
Tandori ™	2
TCBY®	42
Thaï Express® / Pad Thaï	294
Thaïzone ®	41
The Coop Wicked Chicken ®	2
The Works Gourmet Burger Bistro®	27
Tiki Ming®	21
Tim Hortons Cold Stone Canada	1
Timothy's World Coffee®	21
Tosto Quickfire Pizza Pasta ®	2
Turtle Jack's ®	18
Tutti Frutti®	24
Valentine®	95
Van Houtte ®	36
Vie & Nam®	3
Villa Madina®	31
Wasabi Grill & Noodle ®	3
Yuzu®	163
Total	**2,690**

United States and International

System Sales

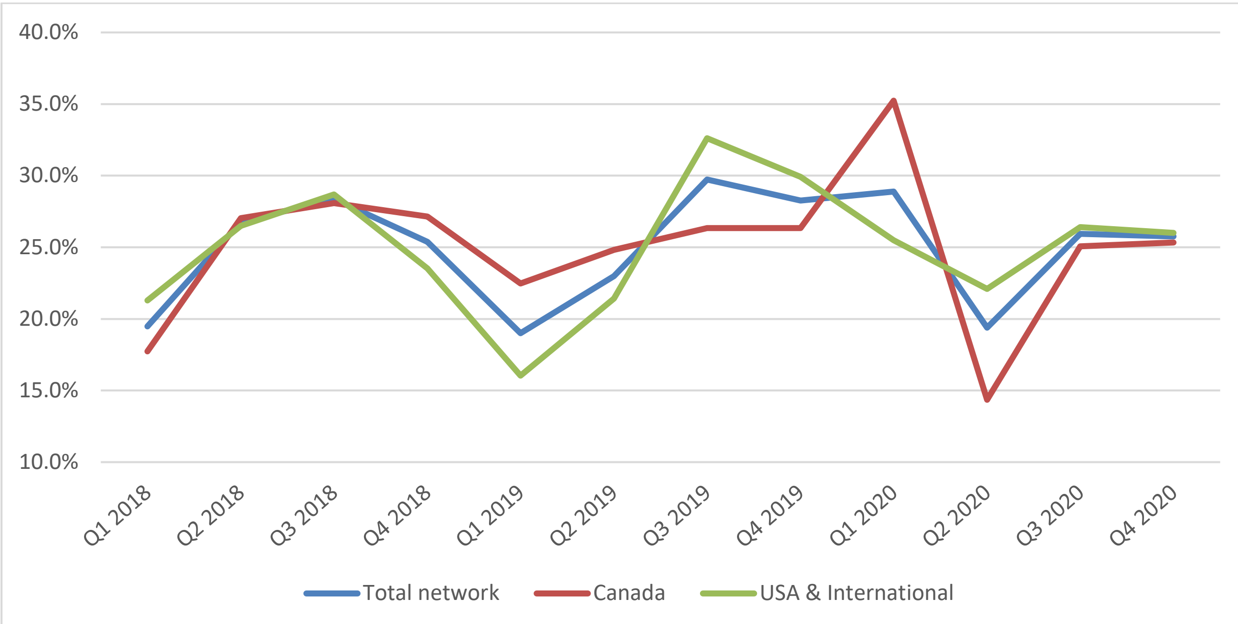
The following chart shows the growth in system sales realized during the last 10 fiscal periods:



Seasonality of System Sales

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the US market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during winter seasons such as Papa Murphy's, which typically does better during winter months. The Company expects seasonality and weather conditions to be a factor in the quarterly variation of its results. Sales have been historically above average during May to August due to its frozen treat category. The Company expects that this seasonality will be somewhat offset by the sale of the take-and-bake pizza's at Papa Murphy's, which usually sells better when the temperature is cooler. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2020, the normal seasonal trends might be affected by the shifts in consumer behavior caused by the pandemic or government regulations.

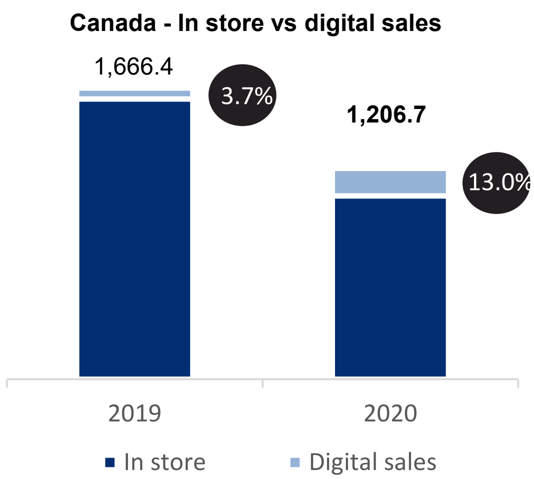
The graphic below shows the seasonality of sales per type of outlet during the last twelve quarters:

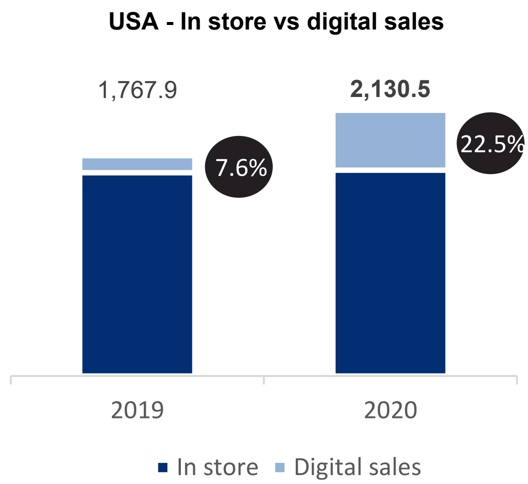


The second to fourth quarter of 2020 were greatly impacted by the pandemic in Canada, the USA and Internationally.

The pandemic has accelerated consumer shifts to online ordering and delivery. Digital sales grew to reach $636.4 million for the year ended November 30, 2020 compared $199.2 million in 2019 and represented 19% of sales. The digital sales pertained to delivery sales, which have benefited from the Company's increased investments in online ordering and third party delivery options.

System sales versus digital sales breakdown is as follows:





Supplies and Distribution

Franchisees are required to purchase the majority of their ingredients, products, materials, supplies and other items which are necessary for the operation of their businesses directly through Company's authorized distributors. The

Company has a purchasing department that is responsible for leveraging the buying power of the Company to deliver the goods and services required in the operation of the locations. The supply and distribution arrangements are managed by the Company's purchasing department. Under these arrangements, independent distributors authorized by the Company purchase certain products directly from the Company's approved suppliers and then store, sell and distribute them to the Company's locations.

Fluctuations of price are passed through to the Company owned and franchised locations. These arrangements help assure the availability of products and provide quality control measures and efficient distribution of these products to the locations. Most goods and services required for the operations of the locations are generally available and can be provided from alternate suppliers. The Company supplies a few of its concept's certain products through its St-Hyacinthe and Laval distribution centers and as well manufactures certain products in its food processing plants, located in Levis and Laval, Quebec.

Franchise Operation

The legal relationship with the Company's franchisees is governed by a franchise agreement for a term that is typically 10 to 15 years for traditional locations and typically 3 to 5 years for non-traditional locations. Apart from some non-traditional locations and some locations governed under master franchise agreements, each location is subject to a separate franchise agreement. The franchise agreement grants the right to use the trademarks in association with concepts within a limited area and specifies comprehensive standards of practice governing all relevant operational matters.

The initial franchise fee usually ranges from $25,000 to $50,000 for traditional locations and from $5,000 to $17,500 for non-traditional locations. Pursuant to the franchise agreement, the Company collects an ongoing royalty fee from each franchisee of approximately 3% to 7% of gross sales. For most concepts, the Company either relies on franchisees to accurately report their gross sales on a frequency as prescribed in their franchise agreement or polls the sales directly from the point of sale system ("POS") in place in the store.

For other concepts, the royalty fees are built-in the price of the products and are collected by the Company through authorized distributors. Each franchise agreement specifies additional payments to be made to the Company by each franchisee. The franchise agreement also sets out the parameters of employee training, technical assistance and other services to be provided to franchisees by the Company. A franchise agreement may not be assigned by the franchisee. Each franchise agreement may be terminated upon certain prescribed circumstances.

Approximately 1,072 locations are controlled by 45 groups or individual franchisees owning 10 or more locations. Five groups control more than 45 locations.

Sources of Revenue

The Company's revenues come from the following sources:

Franchising

Franchising revenues include various revenues generated by the franchising operations, as described below. During the years ended November 30, 2020 and 2019, such revenues represented 50% and 52% of consolidated revenues respectively.

- Royalty fees: The Company collects an ongoing royalty fee from each franchisee with the fee generally ranging between 3% and 7% of gross sales depending on the concepts and is, in general, payable on a weekly or monthly basis.
- Initial franchise fees: The Company charges an initial franchise fee usually ranging from $25,000 to $50,000 ($5,000 to $17,500 for non-traditional locations) at the commencement of the initial term of the franchise agreement. Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.
- Master license fees: The Company charges a master license fee when it grants territorial rights for the development of its concepts. Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.

- Renewal fees: The Company charges a fee upon the re-grant of an expired franchise. Depending on the concept, the fee ranges from $1,000 to $5,000 per renewed year. Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.

- Revenue from sale of franchise locations: In some cases, the Company manages the construction of a new restaurant, which is then delivered on a ''turn-key'' basis to the franchisee on completion. Restaurant construction and renovation revenue is recognized when the construction and renovation are completed.

- Sales of Goods and Equipment: Franchisees are required to purchase certain goods and equipment used and sold at their locations from the Company, which the Company provides to the franchisees at a profit. Revenues are recognized when goods are delivered. The Company also generates some administration fees from reselling services to its franchisees.

- Rental income: The Company earns rent revenues on certain properties and leases it holds and sign rental revenue. For many locations, the Company leases the premises occupied by the franchisee from the owner of the property and subleases these premises to the franchisee. In some cases, the Company charges percentage or additional rent as a supplement to the rent per lease agreement between the owner of the property and the Company for the obligations incurred by the Company pursuant to such lease. In some other cases, the Company acts as an agent and doesn't recognize revenues or expenses in its consolidated financial statements.

- Gift card revenues: The Company recognizes breakage income on a pro-rated recognition basis, which is based on the historical redemption pattern of the gift cards. The Company also charges various program fees and program costs to its franchisees as gift cards are redeemed.

- Supplier considerations: The Company receives considerations from suppliers. Supplier contributions are recognized in the month they are earned.

- Transfer fees & other fees: The Company charges a fee for the transfer of a franchise, documenting changes to the franchise agreement and other documents, providing plans and specifications for store design and for construction supervision.

- Bookkeeping accounting fees: The Company charges bookkeeping accounting fees to a few brands for which it does the accounting on behalf of the franchisees.

Revenue from food processing, distribution and retail

During the years ended November 30, 2020 and 2019, food processing, distribution revenues represented 21% and 17% of consolidated revenues respectively.

- The Company earns revenues from producing a variety of food products: Food processing revenues are recognized when goods have been delivered to end-users or when significant risks and rewards of ownership have been transferred to distributors or retailers.

- Distributions revenues: The Company earns revenue from distributing food and restaurant supplies to its Valentine and Casa Grecque locations. Revenues are recognized once the goods have been delivered to the franchise location.

- Retail revenue: The Company earns revenue from the sale of products in retail stores. Retail revenue is recognized when goods have been delivered or when significant risks and rewards of ownership have been transferred and it is probable that the economic benefit associated with the transaction will flow to the Company.

Revenue from corporate owned locations

The Company also generates revenues from the restaurant locations which it owns and operates. Revenue from corporate-owned locations is recorded when services are rendered. Revenues from corporate owned locations have represented 13% and 16% of total revenues for 2020 and 2019 respectively.

Revenue from promotional funds

Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers to the promotional funds are reported separately and included in accounts payable and accrued liabilities. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds. Revenues from promotional funds have represented 17% and 16% of total revenues for 2020 and 2019.

Management

The Company's ability to attract and retain skilled management personnel has been a key factor in the development of its restaurant system. The Company benefits from a management team that is highly experienced in the restaurant industry. The loss of some key management personnel could have a material impact on the operations of the Company.

Employees

As at November 30, 2020, the Company and its subsidiaries had approximately 1,941 employees working in Canada and in the United States. Of those, 1,159 work in corporate restaurants, in the food processing plant or in the distribution centers. Of the other employees, approximately 429 are located in Canada and 353 in the United States.

Intellectual Properties

The intellectual properties are sublicensed by the Company to franchisees. Maintaining and increasing its various “brand identities” through the use of intellectual properties is a key element to the success of the Company. The intellectual properties owned and used by the Company include trademarks that are registered or pending registration under the *Trade-marks Act* in Canada, under the *Trademark Act of 1946* in the United States or other international trademark agencies, unregistered trademarks and other trademarks relating to the concepts TCBY® and Rocky Mountain Chocolate Factory® are licensed by the Company. The rights for the Company to use these licensed trademarks and related intellectual properties, to operate and franchise the concepts TCBY®, Rocky Mountain Chocolate Factory®, Van Houtte® and Timothy’s World Coffee are governed pursuant to the following Master Franchise or Development agreements.

TCBY Transnational Master Franchise Agreement

TCBY Transnational Master Franchise Agreement dated February 20, 1992, as amended and assigned from time to time, between TCBY Systems, LLC (formerly TCBY Systems, Inc and Tremlac Food Canada Limited/Les Aliments Tremlac Canada limitée (as assigned by Daniel Tremblay and Paul Lachance, and later Donald Foley) and, as assigned to Tiki Ming on September 28, 2005 for the territory of Canada expiring on December 31, 2025.

Rocky Mountain Chocolate Factory Master License Agreement

Master License Agreement dated August 17, 2009 between Kahala Franchising Corp. and Rocky Mountain Chocolate Factory, Inc., granting an irrevocable non-exclusive right to the Company to offer Rocky Mountain Chocolate Factory products in existing Cold Stone Creamery locations in the United States or to open co-branded (Cold Stone Creamery/Rocky Mountain Chocolate Factory) stores. This agreement is valid as long as the Company’s network has Rocky Mountain Chocolate Factory stores in operation and as long as there is no default to the clauses contained in the agreement.

Tim Hortons Master License Agreement

Master License Agreement dated November 6, 2009 and amended May 17, 2016 permitting Tim Hortons stores to offer Cold Stone Creamery and permitting Cold Stone Creamery stores to offer Tim Hortons. The agreement is irrevocable and non-exclusive and is applicable only for co-branded stores. The agreement is valid as long as co-branded stores are in operation and as long as there is no default to the clauses contained in the agreement. Both parties have termination rights in the agreement.

Marketing

Pursuant to the franchise agreements, franchisees must pay a fee ranging from 1% to 4% of gross sales depending on the concept to the promotional fund. These amounts are collected by the Company in its capacity as agent and used for promotional, marketing and advertising purposes and to administer the promotional fund of the respective concepts. In addition to the promotional fund, supplementary marketing activities are funded by franchisees for local advertising and promotions.

Target Market

The company's network currently operates 3,821 locations in the United States and 2,706 in Canada. It is the intention of the Company to grow its franchise system in the future by leveraging the base it currently has in both territories. Through master license agreements, the Company also plans to further develop its concepts at the international level. Currently, 491 locations are operating outside North America in 37 countries around the world.

Competition

The quick service restaurants and casual dining segments of the commercial foodservice industry have low barriers to entry and therefore are highly competitive. Competition comes from both established competitors, some of which might have greater resources, and potential new market entrants. Each one of the Company's locations competes with other commercial foodservice operations within the same geographical area. Competition, in the broadest perspective, includes restaurants, take-out and delivery operations, including meal kit deliveries, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets. Each one of the Company's locations competes with other operations in its local market primarily through the quality, variety and value perception of food products offered, and the quality of services offered to its customers. The unit count of the Company's banners, the site of the Company's locations, the quality and speed of service, the attractiveness of facilities, and the effectiveness of marketing and new product development are also important competitive factors.

The success of the Company can be attributed to the following factors:

- With over 40 years in the restaurant franchising industry, the Company has developed expertise and built a solid reputation with its landlords and franchisees enabling the company to maintain its expansion. MTY has built an experienced and dedicated management team that continuously balances the interests of its franchisees, business partners, employees and shareholders.
- The large diversity of brands allows the Company to position itself across a broad range of demographic, economic and geographic sectors and to gain valuable market intelligence in various markets that enable management to make more informed decisions for other brands in the same markets.
- The relatively affordable cost of capital for becoming a franchisee of MTY's quick service and casual dining concepts ranges from $150,000 to $2,500,000 and between $30,000 and $120,000 for non-traditional locations, offering a competitive cost of entry and various options for franchisees to choose from.
- Strong growth enables the Company to gain purchasing power and therefore offers its franchisees competitive pricing on products, supplies and advertising buying.
- A continuous focus on expense reduction by using its scale, relationships and cost management discipline. MTY's scalable structure with shared services allows all brands to benefit for the highest level of expertise in purchasing, legal, research and development and information technology for a fraction of the cost. This shared services infrastructure also provides significant opportunities to reduce operating and capital expenditures while increasing efficiency and restaurant profitability.
- Each brand benefits from the know-how and operational discipline from MTY's senior management team, and their extensive retail and restaurant knowledge and experience.

MTY's Multi-Brand Strategy

A diversification strategy

MTY is known in the markets under a multitude of brands and has also been recognized by peers as a story of growth through acquisition. Although MTY has developed over the years multiple brands, the vast majority of MTY's expansion has been through acquisition. MTY's current portfolio of 83 distinctive yet highly complementary restaurants brands offer a variety of unique menus and dining experiences to all restaurant goers. The variety of choices offered by MTY's portfolio can appeal to all customers from those who prefer the full-services dining experience, those who want a family dine-in or dine-out family dinner as well as those who are on the run and just want to grab a quick bite. MTY's variety of brands offer not only choices in menu selection and dining experience, but it also targets a broad spectrum of customers across various demographics, dayparts and price points. The diversity of restaurant concepts and their appeal to different target markets enables MTY to operate multiple brands in the same geographic area without directly competing against each other. This also provides MTY with the flexibility to adapt to rapidly evolving customer tastes across Canada, USA and Internationally. MTY's multiple brands platform allows it to consider converting existing locations from one brand to another and to do so at a lower cost than constructing a new restaurant.

Brand Division Strategy

Depending on the brand and the territory in which it falls, a dedicated team is responsible for developing and delivering superior customer experience with the goal to improve not only system sales but also same-store sales growth. The brands are grouped by the type of offerings they provide so that they can leverage from best-in-class practices. These teams are responsible for all aspects of the brand, from menu development and innovation to restaurant ambiance to advertising campaigns. In turn, MTY is committed to ensuring the continued strength of each brand by providing a number of centralized resources and shared services. This approach allows the Company to provide support to both corporate and franchised restaurants to improve profitability and operating leverage while allowing divisions to focus on the brand-specific opportunities and customer-facing initiatives.

Multi Brand Synergy Strategy

MTY aims to utilize its scale to provide its restaurants with competitive advantages which are not available to independent restaurant operators. Functions that are not brand-specific are centralized and pooled, providing significant opportunities to leverage the Company's scale and relationships to reduce operating and capital expenditures and increase efficiency, thereby increasing restaurant profitability. As a result of this support, management believes that it has struck the optimal value balance with franchisees making MTY the franchisor of choice.

Each MTY brand benefits from:

- Strategic Partnerships and Initiatives: These initiatives include:
    - Consolidated gift card program – a large part of the Canadian portfolio benefits from a multi-brand gift card program which offers consumers great variety and choice as to where they choose to redeem their card. The multi-brand gift card is redeemable at 47 different brands and offers a wide variety of dining options to choose from.
    - Strategic Sourcing: strategically source supplies and services, including food products and beverages, to negotiate the best possible prices for its restaurants.
- Information Technology and Innovation:
    - MTY provides both restaurant-level technology systems (POS, back office systems, payment processing, and security) and a centralized data center and help desk for maximizing system up-time and performance.
    - MTY is executing a multi-year technology and digital transformation roadmap. MTY's digital transformation strategy will positively impact all departments, channels and lines of business and above all, the guest experience.

The Company also intends to increase its market share by:

- Same store sales growth: The Company's strategy to improve same store sales growth includes advertising, including increased online platform marketing, introduction of new products, innovation, excellence in operations and continued training, all with a focus of increasing customer count and average check. The Company is also investing in technological software to better asses top performing menu lines and market trends in order to improve operations returns to franchisees.

- Concepts image upgrade and menu innovations: The Company intends to continue to innovate by introducing new menu items or new concepts and upgrading the image of its existing concepts.

- Increase restaurant profitability: The profitability of the restaurants in the Company's network is critical to MTY's franchise partners. The Company believes constant focus on increasing sales, maintaining food and labor cost ratios, maintaining occupancy costs to an acceptable level and adapting the concepts are all critical to create sustainable profitability. MTY's focus for 2021 will be to not only help franchisees rebuilt consumer confidences in the restaurant experience in the wake of COVID-19 and all the government restrictions imposed, but also to work on the company's 4 pillars: food, service, ambiance and value perception.

- Customer Service: The Company intends to continue to improve customer service by gathering and implementing feedback on guest experience. The Company continually monitors online, over the phone and in-person customer feedback and applies the proper remediations to issues encountered.

- Leveraging its multi-brand offering to expand further in Canada, in the United States and abroad: The Company intends to continue to open new locations of existing concepts in shopping malls, at street front locations and in non-traditional settings.

- Seeking international Master franchise opportunities: The Company intends to continue to develop at the international level through area master franchise agreements.

- Continue to pursue new acquisitions: The Company intends to continue to make acquisitions in the food service industry that complements and add synergies to its already existing brands.

- Media & Off-Premise Partnerships: The Company intends to continue creating and developing strategic partnerships with key media and digital platform partners and building on existing partnerships with food and delivery aggregators, to grow delivery sales. This initiative enables customers to place delivery orders through the application and platform of their choice.

- Continue to develop its retail segment: The Company intends to continue to diversify its retail division with the launch of new retail product lines across its grocery offerings. The Company will continue to offer retail product offerings that do not compete with the core menu items offered through its chain of restaurant networks.

Strategy adapted for COVID-19

In light of COVID-19 and all the government and health authority-imposed restrictions MTY will adapt its short term strategy to focus on helping its franchisee weather the storm. Some of the new strategies will include the following:

- Working with landlords to negotiate rent concessions or rent deferrals where possible,
- Working with lobbyists and advocacy groups to help governments make decisions that will help the network,
- Differentiate in different ways by enhancing and innovating on delivery, take-out, menu ideation, marketing, online ordering and digital advancement. This will include widening partnerships with third-party delivery platforms,
- Adjusting marketing strategies that are tailor-designed for each individual customer instead of investment in mass market campaigns, and
- Providing support and advise to enable franchisees to offer their customer and employees a safe and comfortable environment.

New Franchise and Corporate Locations

The Company believes that there is opportunity to expand in Canada, United States and Internationally. During 2020, the Company acquired 23 locations through a joint venture. Excluding this acquisition, the Company's network opened 185 locations (89 in Canada, 70 in the United States and 26 International) and closed 578 locations (260 in Canada, 276 in the United States and 42 International). Excluding the joint venture operations, the net reduction of 393 results from a multitude of factors, which includes COVID-19 pandemic, landlords redeveloping their properties, competitive pressures, leases expiring and closures of underperforming stores. Management will continue to review its portfolio of restaurants to assess the closure of underperforming and non-strategic locations.

As at November 30, 2020, the Company's network had a total of 338 locations temporarily closed as a result of COVID-19. Of these temporarily closed locations, 197 are in Canada, 108 in the US and the remaining 33 Internationally. As at February 17, 2021, MTY has 408 temporarily closed. The increase in temporary closures is the result of more government restrictions imposed by some provinces in Canada in late December. Although these locations are expected to reopen, the timing of these re-openings is uncertain.

New Retail Opportunities

The Company has a retail revenue market in both Canada and the USA. The Company intends to continue to drive the retail program across its multiple brands, as well as continue to expand its grocery offerings without competing with the core menu offered through the Company's restaurant network. Currently, there are 147 different products sold on the Canadian market and 16 sold on the USA market.

Information Technology

The Company has made significant investment in the information technology ("IT") infrastructure both in an effort to stay ahead of cyber risk as well as a means to obtain more accurate information to be able to assess the franchisees performance and results. Investing in POS terminals, online ordering, website design platforms, and back-office systems to help manage, improve and assess franchisee profitability is a priority for the Company. MTY is investing not only in new technology but also in ensuring that current systems are properly monitored and safeguarded against cyber-attacks.

MTY is executing a multi-year technology and digital transformation roadmap with an aim to ensure the success of every franchisee through technological advancement. This includes ensuring the advancement of website designs and easy access to online ordering through both in-house build and third-party platforms. Digital marketing and big data analysis is also being moved to the forefront of the roadmap as the Company adjusts to changing customer patterns. MTY's digital transformation strategy will positively impact all departments, channels and lines of business and above all, the guest experience.

Government Regulation

Local Regulation of Restaurants

The Company's corporate owned and franchise locations are subject to licensing and regulation by a number of governmental authorities, which may include liquor, health, sanitation, environment, linguistic, safety, fire, building and other agencies in the provinces or municipalities in which the Company's locations are located. Developing new locations, in particular street front locations, requires licenses and land use approval, and could be delayed by difficulties in obtaining such licenses and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. Some municipalities are also now restricting access to quick-service restaurants and many are refusing permits for drive-throughs.

The Company, for its corporate owned locations and franchisees must comply with all applicable federal, provincial and local laws and regulations. Pursuant to the franchise agreements, the Company is to be indemnified by franchisees for any liabilities or costs incurred which are attributable to their failure to comply with such laws and regulations.

As a result of the pandemic, new restrictions and regulations have been further imposed by local, provincial, state and federal regulators to ensure the well-being of the population at large. MTY continually monitors these changes and ensures proper protocols and procedures are developed for the well-being of all customers and employees.

Food Product Regulation

The Company's suppliers of food products to the Company's corporate and franchise locations and the franchisees must comply with applicable federal and provincial regulations relating to the manufacture, handling, preparation and labeling of food products. These rules also apply to the Company's distribution and food-processing plant and can include regulations relating to distribution, packaging and labelling of food, beverages and general merchandise products, and environmental laws on items such as single use plastics. Its distribution channels as well as its own distribution and food processing plants can also be adversely impacted by any new regulations on farming and fishing practices which may impact the ability to obtain the goods required.

Franchise Regulation

The Company must comply with the laws and regulations adopted in the Provinces of Ontario, Alberta, Manitoba, New Brunswick, British Columbia and Prince Edward Island that require certain disclosure to be made with respect to the offer and sale of franchises. These laws require that the Company furnish prospective franchisees located in Ontario, Alberta, Manitoba, New Brunswick, British Columbia or Prince Edward Island, as applicable, with a disclosure document containing information prescribed by these laws.

The Company must also comply with the various Federal and state laws in the areas where it operates in the United States. These laws require that the Company provide prospective franchisees with a disclosure document containing information prescribed by the applicable regulations. Such disclosure documents must be approved on an annual basis by the relevant authorities prior to being used for disclosure.

Employment Regulations

The Company and its franchisees are subject to local labour and employment laws that govern their relationship with employees, such as minimum wage requirements, overtime and working conditions.

Regulations Governing Alcoholic Beverages

Alcoholic beverage control regulations require that the Company or a franchisee, as the case may be, apply to a provincial or a municipal authority for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of a location's operations, including the minimum age of patrons who may consume alcoholic beverages and employees who may serve such beverages, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. Locations in certain jurisdictions may be subject to statutes or common law principles which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

Regulations Governing Smoking

Locations are subject to various laws that prohibit or limit smoking on the premises and that impose fines for failure to adhere to such laws.

Menu and Consumer Packaging Labelling Regulations

Multiple jurisdictions in which the Company operates have enacted menu labelling legislation that have the effect of requiring restaurants to list certain nutritional information on all the menus and advertising. Similarly, the Consumer Packaging and Labelling Act requires that prepackage consumer products, such as the retail products, include accurate and meaningful labeling information to help consumers make informed purchasing decisions. The calorie and sodium content of its standard food items are the most common types of required labeling.

RISK FACTORS

An investment in the Company involves a number of risks. In addition to the other information contained in this AIF and the Company’s other publicly filed disclosure documents, investors should give careful consideration to the following risk factors and uncertainties, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. Any of the matters highlighted in these risk factors and uncertainties could have a material adverse effect on the Company’s results of operations, business prospects or financial condition. The risk factors and uncertainties described below are not the only risks and uncertainties the Company faces. Additional risks and uncertainties not currently known to the Company, its directors and officers or that are currently deemed immaterial also may impair the Company’s business operations.

Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described in the other disclosure documents, such as risks relating to the successful completion of the Company’s growth and expansion projects, including the ability to obtain regulatory approvals on the expected timelines or at all; the ability to maintain the Company’s credit ratings; the ability to maintain adequate internal controls in the event that employees are restricted from accessing regular offices for a significant period of time; restricted access to capital and increased borrowing costs; the ability to pay dividends and service obligations under its debt securities and other debt obligations; and complying with the covenants contained in the agreements that govern the existing indebtedness.

Pandemic-COVID-19

The ongoing worldwide pandemic due to COVID-19 and its related variants has and will continue to have a material and adverse impact on the business, franchise partners, operations, results and growth prospects to an extent and for a period of time that remains uncertain. The Pandemic has negatively impacted the business and such impact has been and is expected to continue to be material to the Company’s financial results, condition, and outlook. The reactions/responses of local governments, private sector participants and the public to the pandemic and the associated disruption to business’ and commerce’s, and the extent to which these will continue to affect the businesses will all depend on future developments which are highly uncertain and many of which are outside the control of the Company and cannot be predicted with confidence. The further spread of COVID-19 and its variants, and the requirements to take action to mitigate the spread of the pandemic, will impact the ability to carry out the business as usual and may materially impact the business, results of operations, cash flows and financial condition. Moreover some of these regions have suffered a COVID-19 relapse after reopening and have gone back into lockdown. Those markets may not recover quickly or at all, which could have a material adverse effect on the business and results of operation The pandemic may result in short- and longer-term changes in consumer spending, consumer behavior and perceptions regarding public gatherings and dining out and changes in consumer travel patterns. MTY and its franchisees will have to be ready to adjust to such changes in economic spending and adapt its strategy accordingly.

In addition to the direct problems caused by sanitary measures on our restaurants, our Company's entire supply chain has been disrupted, with suppliers struggling to find raw material and packaging and distributors struggling with securing the products, finding drivers, including at times labour.

The extent to which COVID-19 impacts the business, results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. The uncertainty includes the rollout of vaccinations and their effectiveness, new information which may emerge concerning the severity of COVID-19 and the efficacy, scope and duration of actions to limit the spread of COVID-19 or treat its impact, among others. While such actions have been relaxed or rolled back in certain markets, the actions have been reinstated in certain regions that have suffered relapse and may be reinstated in additional regions as the pandemic continues to evolve. The scope and timing of any such reinstatements are difficult to predict and may materially affect future operations.

Future possible pandemics, other than COVID-19, may also cause a risk to the Company. The impact of any future pandemic may be less or more material impacts on the Company.

Security Breaches and Confidential Guest Information

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities and cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information, including personal health and financial information ("confidential information") regarding the Company and its guests, employees, vendors, credit card holders and loyalty program members. Some of this confidential Information is held and managed by third party service providers.

As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated. The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and prevent unauthorized access of confidential information and to reduce the likelihood of disruptions to its IT systems. The Company continues to make strategic investments in this area, including employee training, edge protection and endpoint detection and response technology, in order to mitigate cyber threats. The Company also has security processes, protocols and standards that are applicable to its third-party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of the third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of guest, employee, franchisee, credit card holder or loyalty program member privacy or confidential information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs. Any such occurrences could adversely affect the reputation, operations or financial performance of the Company. The Company has been subject to cyberattacks from time to time, none of which had a material impact on the business information or operations. Recent developments in cybersecurity legislation in different jurisdictions are imposing additional obligations on the Company and could expand the potential liability in the event of a cybersecurity incident.

The Restaurant Industry and its Competitive Nature

Due to the COVID-19 pandemic, the Company and the restaurant industry may experience a reduction and/or increased volatility in demand for the products, which may be caused by, among other things: store closures or modified operating hours and business models, reduced customer traffic due to illness, quarantine, government or self-imposed restrictions placed on the stores' operations and changes in consumer spending behaviors (e.g. continued practice of social distancing, decrease in consumer confidence in general macroeconomic conditions and a decrease in consumer discretionary spending.

The performance of the Company is directly dependent upon a number of factors that affect the restaurant industry in general, including intense competition with respect to price, service, location and food quality. If the Company is unable to successfully compete in the restaurant industry, its performance may be adversely affected. The inability of the Company to maintain comparable store sales and the number of locations in its franchise system, and the Company's franchisees to pay franchise fees, royalty fees and other amounts to the Company, could have a material adverse effect on the Company's business, financial condition or results of operation.

Despite the fact that the Company has a large number of concepts, diversified in type of locations and geography, the performance of the Company is also affected by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. Moreover, the Company faces increasing competition from home delivery, such as online meal kit delivery services which offer foods that customers may prepare at home. In 2020 the Company has significantly increased its presence on food delivery platforms and has invested in its own delivery/pick up applications to align with consumers preferences, other factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors.

The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

Economic Environment

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In case of turmoil in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company is dependent upon consumer discretionary spending and the results of operations are sensitive to changes in or uncertainty about macro-economic conditions. Customers may have or in the future have less money for discretionary purchases and may stop or reduce their purchases of the products as a result of various factors, including job losses, inflation, higher taxes, reduced access to credit, changes in the economic policy. There is also a risk that if negative economic conditions or uncertainty, as a result of the COVID-19 pandemic or otherwise, persist for a long period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis or there may be a general downturn in the restaurant industry.

The Company's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in the certain regions in which it operates. However, management is of the opinion that any economic situation that occurs within a normal cycle will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown.

Government Regulation

The Company is subject to various federal, provincial, state and local laws affecting its business. Each Company owned locations and franchise locations is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, environment, linguistic, maximum capacity restrictions, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals, or loss thereof, or compliance to changes in government laws and regulations concerning smoking bans, menu labeling and disclosure, dine-in and drive-thru restrictions, elimination of trans fats or environmental matters could harm the Company in maintaining its franchise system and its ability to grow its number of locations and could have a material adverse effect on the Company's business, financial condition or results of operation.

Government regulations has increased significantly in the wake of COVID-19 and is continuously changing. Regulations for dine-in experience has heightened with new rules concerning the wearing of masks, the distancing of customers and employees and sanitation requirements. New regulations concerning maximum capacity, hours of operations and take-out and delivery all have to be adjusted to by franchisees, corporate stores and all of their respective employees.

Borne Illnesses and Public Safety Issues

Publicity from any food borne illness could adversely affect the sales of one or more restaurants in one or more of the concepts and therefore revenues of the Company. Franchisees may be the subject of complaints or litigation from guests alleging food-related illness or other food quality or health concerns. Adverse publicity resulting from such allegations may materially affect the sales of restaurants, regardless of whether such allegations are true or whether a franchisee is ultimately held liable.

Adverse conditions on public safety, such as the threat of terrorist attacks, acts of war, or outbreaks of disease (including COVID-19, avian flu, H2N1, SARS or mad cow disease), may also have a negative impact on the restaurant industry and economy. Such conditions can reduce traffic in restaurants, affect consumer’s discretionary spending and consumer confidence. For example, during a disease outbreak people minimize social gatherings to prevent contracting any disease, directly affecting the volume of customers at restaurants. The occurrence of such events could have an impact on the results of operation and financial condition of the Company.

Commodity Costs, Labour Shortages and Costs and Other Risks

Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply, caused by pandemics, adverse weather or other conditions could adversely affect the availability, quality and cost of ingredients. Specifically, certain ingredients such as butter, dairy products, chicken, coffee, sugar, flour, oil, rice and fish constitute a large percentage of the total cost of the Company's food products. Increases in the cost of these specific ingredients could significantly result in a decrease the Company's operating income.

In addition, unfavorable trends or developments concerning factors such as inflation, increased food, labour and employee benefit costs (including increases in hourly wage and employment insurance rates), regional weather conditions, interest rates, currency exchange rate and the availability of experienced management and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular. During 2020, COVID-19 and the African swine flu had multiple impacts on commodity costs and availability of products and labour. These risks will continue to be present under the current pandemics, whose end is yet unknown, but these risks will continue to be present well after these pandemics end.

Reliance on Information Technology

The Company relies heavily on information systems, including point-of-sale processing in its restaurants, for management of its supply chain, accounting, payment of obligations, collection of cash, credit and debit card transactions, and other processes and procedures.

The Company’s ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. Due to the pandemic, office employees were forced to work remotely as of March 2020 and there has been accelerated pressure to enhance the technology infrastructure to support remote work. The Company’s operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events. As the Company continues to grow, the information systems operating efficiency will depend on the Company’s ability to upgrade or transition to new platforms. Failure to cope with the demand can result in interruptions and delays in the Company’s business and guest service, as well as reduce efficiency in its operations.

Competition with other Franchisors

The Company competes for market share and for acquisitions with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company.

Sustainability and growth of the Business

The sustainability and the growth of the business are dependent upon its ability to:

- Maintain its current franchise system which is subject to many factors including but not limited to the COVID-19 pandemic, renewal of existing leases at sustainable rates with qualified franchisees,
- Continue to expand its current concepts by obtaining good store sites, acceptable lease terms and obtaining suitable franchisees,
- Maintain and grow same store sales,
- Complete accretive acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the Company's system and culture could also have an impact on the Company's results, and
- Retain qualified franchisees in its franchise system and personnel to manage Company owned locations. The Company faces competition for locations and managers from its competitors and from the franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees and personnel could adversely affect its business development.

The quality of the individual Company's corporate-owned and franchise locations operations may be diminished by many factors, such as COVID-19 which are beyond the Company's control. Consequently, the Company, management, personnel and franchisees may not successfully operate Company corporate owned locations and franchise locations in a manner consistent with the Company's standards and requirements, or may not retain qualified franchisees, hire and train qualified managers and operators. If they do not, the image and reputation of the Company's corporate owned locations and franchise locations may suffer, and gross revenue and results of operations of the Company could decline.

Potential Litigation, Class Actions and Other Complaints

The Company is subject to lawsuits, administrative proceedings and claims that arise in the ordinary course of business. In recent years, a number of restaurant companies have been subject to claims by customers, employees, franchise owners, and others regarding issues such as food safety, personal injury and premises liability, employment-related claims, harassment, discrimination, disability, compliance with advertising laws (including the Telephone Consumer Protection Act), and other operational issues common to the foodservice industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. As well, any judgments against MTY or other market participants with regards to any of these issues can have a detrimental/unfavorable change in the industry.

The Company may be subject to claims from landlords in respect of lease agreements to which the Company acts as tenant, and it may also be subject to claims from current and former franchisees that are based on various grounds. It may also be subject to claims from shareholders or lenders for various reasons. Any such claims, if they are determined by a court or arbitrator to be well founded, may materially affect the Company's operating results.

Although the Company has historically experienced very few customer lawsuits, customers occasionally allege that MTY caused an illness or injury they suffered at or after a visit to one of the Company's corporate or franchised restaurants, or that there have been problems with food quality or operations. The Company is also subject to a variety of other claims arising in the ordinary course of the business, including personal injury claims, contract claims, and claims alleging violations of laws regarding workplace and employment matters, equal opportunity, discrimination, and similar matters and may become subject to class action or other lawsuits related to these or different matters in the future. The Company may also be named as a defendant in any such claims brought against any of the franchise owners. An adverse judgment or settlement related to any litigation claim that is not insured or is in excess of the insurance coverage could have an adverse effect on the business, financial condition, or results of operations. Regardless of whether any claims that may be brought against MTY are valid or whether it is ultimately determined to be liable, the business, financial condition, and results of operations could also be adversely affected by negative publicity, litigation costs resulting from the defense of these claims, and the diversion of time and resources from operations.

In addition, the restaurant industry has been subject to a growing number of claims based on the nutritional content of food products sold and disclosure and advertising practices. This may also be subject to this type of proceeding in the future and, even if the Company is not, publicity about these matters (particularly directed at the quick service or fast casual segments of the industry) may harm the reputation of MTY and its brands and could materially and adversely affect the business, financial condition, or results of operations.

Intellectual Property

The ability of the Company to maintain or increase its operating results will depend on its ability to maintain its various "brand identities" through the use of intellectual property owned or licensed by the Company. If the Company fails to enforce or maintain any of its intellectual property rights, or the Company fails to enforce its rights under the franchise agreements with its franchisee, the Company may be unable to capitalize on its efforts to establish and maintain its various brand identities. Improper use of such trademarks and other intellectual property rights in Canada, in the United States, and Internationally, in a manner that diminishes the value of such trademarks and other intellectual property rights could affect the value of the intellectual property and the operating results of the Company could decline. Similarly, negative publicity or events associated with such trademarks and other intellectual property rights, may negatively affect the image and reputation of the Company, resulting in a decline in operating results of the Company. All registered trademarks in Canada and in the United States can be challenged pursuant to provisions of the *Trade-marks Act* (Canada) and the *Trademark Act of 1946* (United States), and other intellectual property can be the subject of similar challenges. If any intellectual property rights are ever successfully challenged, this may have an adverse impact on operating results of the Company and could also affect its expansion capability.

Customer Experience

In order to ensure customer service satisfaction, the Company has put in place quality control procedures both internal and external. Due to the COVID-19 pandemic, the Company has had to adapt quickly to support new health and safety measures, packaging, and menus for pickup and delivery and the overall impact on customer experience.

Internal quality controls include significant franchisee and associate training as well as comprehensive support systems consisting of regional operational managers and shared services infrastructure. In addition, the Company offers continuous restaurant support audit, associate health and safety education and programs, and loss prevention programs.

External quality controls are brand specific and include a mystery shopper program conducted by an independent third party, pursuant to which mystery shoppers review restaurants on a regular basis; a customer feedback program operated by the Company and a third party to encourage feedback from customers, as well as food safety and operational audits completed by independent third-party audit firms.

Damage to the Company's Reputation

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning the Company or one or more of its brands may be posted on such platforms at any time. Information posted may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's performance, prospects or business. The harm may be immediate without affording the Company an opportunity for redress or correct.

Employee claims against the Company, or the Company's franchise partners, based on, among other things, alleged wage and hour violations, pay equity violations, discrimination, harassment or wrongful termination may also create not only legal and financial liability, but negative publicity that could adversely affect MTY and divert financial and management resources that would otherwise be used to benefit the future performance of the Company's operations. These types of employee claims could also be asserted against MTY, on a co-employer or joint employer theory, by employees of the franchise partners. A significant increase in the number of these claims or an increase in the number of successful claims could adversely impact the reputation of the Company, which may significantly harm the brands.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm the Company's reputation, business, financial condition and results of operations.

Fraud and Ransom

Fraud and ransom are becoming an increasingly higher threat in today's market. A 2020 survey conducted by PwC found that out of 5,000 respondents, nearly half had suffered at least one fraud in the last 12 months[1], the most common types being customer fraud, cyber crime and asset misappropriation. Of these frauds, it was also identified that it was evenly split between frauds committed by internal and external perpetrators. Although MTY tries to protect itself and its assets from such an occurrence through the use of internal controls, IT system firewall and protection software investments and training of employees, the risk of such an occurrence still exists.

Insurance

The Company is subject on a daily basis to a multitude of risks, as highlighted in this section, for which it tries to protect itself through its insurance policy. These risks include litigations, class action lawsuits, fraud and ramson, thief and property damage to name a few. MTY tries to mitigate its losses through its insurance policy by ensuring that all the risks possible are included and that the coverage is large enough to cover all possible losses. However, there is a risk that the insurance coverage will not be enough to cover the full losses to the Company, that no such insurance coverage exists, or that the insurance claim is denied. In some cases as well, the cost of obtaining insurance for a specific risk may be economically unreasonable and as such not covered.

Laws Concerning Employees

The operations of the Company owned locations and franchise locations are subject to employment and labour laws governing such matters as minimum wage, working conditions, and overtime and tip credits. A significant proportion of the Company's food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage will increase the Company's and franchisees labour costs and could have an impact on the Company's operating results.

Currency Exchange Rates

The Company uses the Canadian dollar as its functional currency. As a result of the material proportion of cash flows generated in US dollars or in other currencies, the Company's profitability and capacity to service its debt obligations are subject to fluctuations in currency exchange rates.

Fluctuations in currency exchange rates also affect the costs of certain products required in the operations of the Company's corporate-owned and franchised locations, which in turn could impact the profitability of their operations.

Interest Rates

The Company currently has a $700.0 million authorized revolving credit facility. As at November 30, 2020, a total of $433.0 million was drawn, all of which was subject to short term variations in interest rates in Canada. In the course of business, the Company may be required to use more of the available amount and/or to increase the authorized amount. Fluctuations in interest rates may potentially impact the Company's profitability materially.

The Company has the following interest options:

- Amount drawn in Canadian dollars – option to pay interest based on Canada prime rate as determined by the Toronto-Dominion Bank of Canada, plus a margin not exceeding 2.25% or interest based on banker's acceptance, plus a margin not exceeding 3.25%
- Amounts drawn in US dollars – option to pay interest based on US base rates plus a margin not exceeding 2.25% or interest based on the London Interbank Offered Rate ("LIBOR") plus a margin not exceeding 3.25%

Canada prime rate as at November 30, 2020 was 2.45% (2019 – 3.95%) and US base rate was 3.75% (2019 – 5.25%).

On January 15, 2019, the Company entered into an interest rate swap fixing the interest rate at 2.273% on $100.0 million of the outstanding revolving credit facility until maturity.

On November 30, 2020 the Company has entered into two floating to floating one-month cross currency interest rate swaps, with rates ranging from 1.85% to 2.45%.

In 2019, it was announced that the LIBOR will be discontinued by the end of 2021. The leading proposed replacement for this is currently the Secured Overnight Financing Rate ("SOFR"). The main difference between the LIBOR and SOFR is that LIBOR is based on market data or estimates whereas SOFR is based on transactional data – mainly

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[1] PwC's Global Economic Crime and Fraud Survey 2020 https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html

overnight transactions. The Alternative Reference Rates Committee is still developing how the SOFR will be applied for future borrowing periods. Given that there are still certain aspects that are unknown with regards to the new application of the SOFR, future interest rates could vary materially from the ones currently available. This risk is diminished by the fact that the Company has the option to choose to pay interested based on two rates, whichever is more beneficial.

Price and Supply Fluctuation

Pricing support mechanisms instituted and maintained by various provincial marketing or other boards keep the prices of chicken, pork and other products at artificially high levels. Although these product pricing systems are the subject of international and provincial legal challenges, there can be no assurance that such mechanisms will not continue indefinitely. Further, there can be no assurance that prices of such products will not be increased by their respective boards in the future.

The Company's Dependence on Key Personnel

The success of the Company depends upon the personal efforts of a small group of employees and senior management. Although the Company believes it will be able to replace its key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the Company's financial performance.

Leases and Lease Renewals

At November 30, 2020 the Company had 2,223 leases signed with various landlords, representing rental obligations of $558.7 million of which $468.1 million is sublet to franchisees. The majority of leases are long term; the terms typically range from 5 to 10 years. Some leases provide for a right of renewal, provided that the lessee remains in compliance with the terms of the lease. Notwithstanding compliance, there is no guarantee that the Company will be able to renew such leases on acceptable terms. The potential loss of prime locations upon lease expiry would have an effect on the financial performance, financial results and operating results of the Company. 546 of the locations leased by the Company are owned or managed by 18 landlords with whom the Company has 10 or more locations.

Seasonality of the Business and Weather

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will be a material factor in the quarterly variation of its results. System sales fluctuate seasonally. During January and February sales are historically lower than average due to weather conditions for the frozen treat's brands. This risk is offset by other brands which have better performance during winter seasons such as the newly acquired Papa Murphy's. Sales were historically above average during May to August; for brands such as Cold Stone Creamery, which is one of MTY's largest concept and which is also extremely seasonal. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping center locations. The Company expects that this seasonality risk will be somewhat mitigated by the sale of the take-and-bake pizza's at Papa Murphy's which usually sells better when the temperature is cooler. Sales for shopping mall locations are also higher than average in December during the Holiday shopping period.

The restaurant industry is affected by weather and seasonal conditions. Adverse or unusual weather patterns may negatively affect operations of businesses in the restaurant industry. Favourable weather tends to increase guest traffic at the Company's restaurants, particularly in summer seasons at restaurants with patios or outdoor seating. Additionally, certain holidays and observances also affect guest dining patterns, both favourably and unfavourably.

Dependence on frequent deliveries of fresh produce and groceries subject businesses in the restaurant industry to the risk that shortages or interruptions in supply caused by adverse weather conditions could adversely affect the availability, quality and cost of ingredients. Severe cold weather increases consumption of electricity and may cause an increase in oil and natural gas prices, which may result in markedly higher utility prices for the Company's restaurants. Severe hot weather leads to higher air conditioning costs. Any one of these consequences of adverse or unusual weather conditions, as well as water or electricity supply disruptions, may adversely affect the operations of the Company's restaurants by increasing operating costs and/or reducing revenue.

Maintain adequate levels of collection from Franchisees

Failure to achieve adequate levels of collection from the Company's franchisees, suppliers, landlords and other customers, including by reason of disputes or litigation, could have a serious negative effect on the Company's results of operations and financial position. Franchisees are independent operators and as such are subject to many factors which MTY cannot control. Should economic conditions worsen, some franchisees could become unable to pay royalties and rent.

Certain franchisees report sales to the Company on an ongoing basis via various communication methods. There can be no assurance, however, that sales reported by franchisees are accurate and in accordance with the terms of the franchise agreements, which could have a negative impact on the Company's revenues and cash flows.

The Impact of changes in Sales Tax and changes to Federal, state / provincial Tax

The introduction of further sales taxes upon sales by restaurants could negatively affect sales at the restaurant locations. An increase in the rate of existing sales tax could adversely affect disposable consumer income and consequently consumer visits to restaurants in general and sales of the locations in particular.

The Company has federal, state/provincial and municipal/county tax risks with respect to changes in legislations that impact current and previously reported returns. As well, the Company has an uncertain tax risk related to pre-acquisition periods whereby tax returns were filed by previous ownership.

Gift Card Program as it Relates to Escheatment

In the United States, some states have escheatment laws that require entities with gift card programs to escheat all or a portion of unused gift cards to the state. There is the risk that these laws are amended which would have an impact either prospectively or retroactively on the gift card breakage revenue the Company reports.

Ability to Locate and Secure Acceptable Location Sites

The success of the Company is significantly influenced by location sites. There can be no assurance that current locations and/or concepts will continue to be attractive, or additional locations can be located and secured, as, among other things, demographic patterns change. It is possible that the current locations or economic conditions where restaurants are situated could decline in the future, resulting in potentially reduced sales in those locations. There is also no assurance that further sites will produce the same results as past sites.

Uninsured and Underinsured Losses

The Company uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to compensate the entire loss.

International Locations

The increased exposure to foreign operations subjects MTY to multiple risks that are inherent to the territories in which the restaurants operate. Political and social instability, governmental regulations, foreign exchange rates, uncertainties regarding the interpretation or applicable of certain laws, ethical standards and potential adverse income and sales tax changes might affect the Company adversely.

The Company's Dependence on the Franchisors of TCBY® and Rocky Mountain Chocolate Factory® Concepts

Pursuant to the Master Agreements, the Company operates as a franchisee of the Franchisors and is highly dependent on the Franchisors for its operations. As a result of the nature of franchising and the Master Agreements with the Franchisors, the long-term success of the Company will depend, to a significant extent, on the continued vitality of the Rocky Mountain Chocolate Factory® and TCBY® concepts and the overall success of the Franchisors.

Under the Master Agreements, the Company is required to comply with all of the standards and manuals issued by the Franchisors from time to time. The Company is also required to pay to the Franchisor a monthly royalty fee and a monthly advertising fee as applicable. Should the Company fail to comply with the terms of the Master Agreements, the Franchisors could terminate all or any of the Master Agreements. The termination of the Master Agreements would have a material adverse impact on the Company. The Franchise Agreements have staggered initial terms. Some Master Agreements have a renewal option, provided the Company remains in compliance with the terms of such agreement and other conditions are met. Notwithstanding compliance, there is no guarantee that the Master Agreements will be renewed for any further term following the initial term. Failure to renew some of the Master Agreements could result in loss of revenue and operating profit for the Company and would adversely impact the cash flows.

Corporate Governance

The Company is not in compliance with certain governance best practices set forth in National Policy 58-201 – Corporate Governance Guidelines (referred to herein as "NP 58-201") and National Instrument 58-101 – Disclosure of Corporate Governance Practices (referred to herein as "NI 58-101") with respect to guidelines for director independence and compensation committee. Accordingly, shareholders will not have the same protections afforded to shareholders of companies that are in compliance with the corporate governance best practices established by the Canadian Securities Administrators.

Dividends

The Company established a dividend policy in 2010 and paid its first quarterly dividend in November of 2010 (see "Dividend Policy" below for further particulars). It has subsequently re-assessed the amount of the quarterly dividend in January of each year. The directors of the Company determine if and when dividends should be declared and paid, based on the Company's financial position at the time. There can be no assurance at this time that any further dividends will be declared and paid. Under the terms of its credit facility, the Company is limited to $50 million in dividends in any given year. Until May 31, 2021, the credit agreement also contains limitations on distributions of dividends until such time as the debt-to-EBITDA ratio falls below 3.50:1.00. Other than these restrictions, to the knowledge of the Company, there are no restrictions that would prevent the Company from paying dividends.

DIVIDEND POLICY

The board of directors of MTY (the "Board") established a dividend policy during the course of 2010 and has updated the policy yearly. Prior to the pandemic, the Company intended to pay a quarterly dividend of 18.5¢ per share as of 2020 (16.5¢ per share in 2019 and 15.0¢ per share 2018), if and when declared by the Board, after consideration of the present level of cumulative cash flow and the ongoing working capital needs of the Company, and after taking into consideration the future financing needs of the Company for new corporate acquisitions. In its normal considerations, the Company also takes into consideration retaining the flexibility for other capital allocation strategies including possible share buybacks under the Company's existing NCBI and debt repayments. The Board reviews this policy when deemed necessary to assess its adequacy. Under normal circumstances, the dividend policy is designed to allow sufficient flexibility to continue investing in the Company's growth while providing returns to its shareholders.

On April 6, 2020, the Company announced the suspension of its quarterly dividend as a measure to preserve capital resources during the pandemic. The Board continues to evaluate the current cash requirements of the Company and reassesses this on a quarterly basis.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value. Each common share ranks equally with all common shares with respect to dissolution, liquidation or winding up of the Company and payment of dividends. The holders of common shares are entitled to one vote for each share on all matters to be voted on by the shareholders.

The common shares are not redeemable, have no conversion rights and carry no pre-emptive or other rights to subscribe for additional shares. The outstanding common shares are fully paid and non-assessable. As at the date of this AIF, there are 24,755,351 (24,755,351 as at November 30, 2020) common shares issued and outstanding.

CREDIT FACILITY

The Company has an authorized revolving credit facility of $700 million. The interest rate charged on the facilities varies in accordance with the Canadian Dollar Offered Rate and LIBOR rates depending on the currency in which the funds were drawn. The credit facility expires in September 2022.

The facility has the following financial covenants:

- The Debt-to-EBITDA ratio must be less than or equal to the following:
    - 4.25:1.00 for the financial quarter ending on May 31, 2020
    - 4.50:1.00 for the financial quarters ending August 31, 2020 and November 30, 2020
    - 4.25:1.00 for the period beginning on December 1, 2020 and ending on May 30, 2021
    - 3.50:1.00 as at May 31, 2021 and thereafter.

- The interest and rent coverage ratio must be at 2.00:1.00 at all times.

Until May 31, 2021, the credit agreement also contains various limitations on distributions and on the usage of the proceeds from the disposal of assets. The main limitations on distributions impose restrictions on the issuance of dividends and the repurchase of MTY's common shares through its NCIB process until such time as the debt-to-EBITDA falls below 3.50:1.00.

As at November 30, 2020, the Company was in compliance with those covenants.

The limitations on distributions and on the usage of the proceeds from the disposal of assets are not expected to impact the Company during the term of the credit agreement.

The revolving facility is repayable without penalty and is not subject to minimum quarterly repayments.

MARKET FOR SECURITIES – TRADING PRICE AND VOLUME

Trading Price and Volume

The common shares of the Company are traded on the TSX since May 13, 2010 under the symbol "MTY". Before that date, they were traded on the TSX Venture Exchange under the same trading symbol.

The table below provides details on the monthly price ranges and total monthly volume for the most recent completed financial year:

	Share Price Trading Range		
	High $	**Low $**	**Share Volume**
Dec-19	57.53	54.30	825,558
Jan-20	62.82	55.04	1,138,521
Feb-20	62.08	49.42	2,734,977
Mar-20	54.02	14.23	6,637,693
Apr-20	26.43	16.10	5,984,631
May-20	25.70	17.03	5,820,762
Jun-20	39.90	22.78	10,725,054
Jul-20	32.50	24.15	7,829,421
Aug-20	35.56	28.27	3,273,713
Sep-20	39.26	32.79	4,436,052
Oct-20	48.93	32.88	5,355,237
Nov-20	52.62	38.00	3,599,243
Dec-20	58.87	48.93	2,712,300
Jan-21	57.79	48.93	1,506,420
Feb 1 – 16, 2021	55.61	51.30	843,400

Prior Sales

During the most recently completed financial year, MTY did not issue any shares that are not listed or quoted on a marketplace. During the year ended November 30, 2020 and 2019 no shares were issued.

Normal Course Issuer Bid

On June 29, 2020, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2020 and will end on July 2, 2021 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,235,323 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the year ended November 30, 2020, the Company repurchased and cancelled a total of 364,774 common shares (2019 – 98,543 common shares) under the current NCIB, at a weighted average price of $51.72 per common share (2019 – $53.04 per common share), for a total consideration of $18.9 million (2019 – $5.2 million). An excess of $14.3 million (2019 – $4.0 million) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

The Company has offered for the benefit of certain key member's of management a share option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 100,000 shares are available for issuance under the share option plan as of November 30, 2020 (2019 - 100,000).

The following table presents options granted the period ended November 30, 2020:

Grant date	Options granted	Vesting schedule	Issuance/exercise price ($)	Term of grant
April 11, 2017	200,000	10 years	$48.36	10 years
October 21, 2019	200,000	5 years	$52.01	10 years

Each option granted on April 11, 2017 entitles the holder thereof to acquire one common share. The fixed term of each option is ten (10) years from the date of the grant of the option, and each option will vest in installments, with 1/9 of such option vesting and becoming exercisable annually, beginning on the second anniversary of the grant of the option.

Options granted during the year ended November 30, 2019 have a service condition in order to vest and will be fully vested and exercisable in 5 years from date of gran. The options will expire on October 21, 2029.

DIRECTORS AND OFFICERS

Name and Occupation

The following table sets forth the name, the province and country of residence, and the position with the Company for each of the directors and executive officers of the Company, at the date of production of the AIF.

Name, Province/State and Country of Residence	Position with the Company	Director or executive officer since
Murat Armutlu (1) QC, Canada	Director	May 6, 2005
Stanley Ma QC, Canada	Chairman, Director	From Dec. 2, 1993 to June 30, 1996; and since May 30, 1997
David Keith Wong (1) BC, Canada	Director	Since February 9, 2011
Claude St-Pierre QC, Canada	Secretary and Director	From May 6, 1994 to August 7, 1995; and since October 9, 1996
Dickie Orr (1), BC, Canada	Director	Since May 2, 2011
Gary O'Connor (1) QC, Canada	Director	Since March 1, 2018
Eric Lefebvre, QC, Canada	Chief Executive Officer (2), Director	Since November 5, 2018 and since May 28, 2018
Renée St-Onge QC, Canada	Chief Financial Officer (3)	Since November 5, 2018

Name, Province/State and Country of Residence	Position with the Company	Director or executive officer since
Marc Benzacar QC, Canada	Chief Operating Officer, Fast Casual Division (4)	Since November 5, 2018
Jason Brading QC, Canada	Chief Operating Officer, Quick Service Restaurants (5)	Since November 5, 2018
Marie-Line Beauchamp QC, Canada	Chief Operating Officer, Casual Dining (6)	Since March 1, 2018
Jeff Smit, AZ, USA	Chief Operating Officer, US operations (7)	Since July 25, 2016

(1) Denotes a member of the Audit Committee. See Appendix A for Audit Committee Charter.

(2) On November 5, 2018, Mr. Eric Lefebvre was named Chief Executive Officer. Prior to November 5, 2018, Mr. Lefebvre had been Chief Financial Officer.

(3) On November 5, 2018, Mrs. Renée St-Onge was named Chief Financial Officer. Prior to November 5, 2018 Mrs. St-Onge had been Controller.

(4) On November 5, 2018, Mr. Marc Benzacar was named Chief Operating Officer, Fast Casual Division. Prior to November 5, 2018, Mr. Benzacar had been Brand Vice President.

(5) On November 5, 2018, Mr. Jason Brading was named Chief Operating Officer, Quick Service Restaurants. Prior to November 5, 2018, Mr. Brading had been Brand Vice President.

(6) On March 1, 2018, the Company acquired Imvescor Restaurant Group Inc. Mrs. Marie-Line Beauchamp was the Chief Operating Officer of Imvescor Restaurant Group Inc. and continued her role following the acquisition. She was named Chief Operating Officer, Casual Dining in June 2018.

(7) On July 25, 2016, the Company acquired Kahala Brands, ltd. Mr. Smit was the Chief Operating Officer for Kahala Brands, Ltd. and continued his role following the acquisition for all of the Company's US operations.

The Company has an Audit Committee, the members of which are set out above.

Independence of the directors

Eric Lefebvre is not independent as he has a material relationship with the Company, by virtue of his respective executive officer position with the Company since 2018.

Stanley Ma and Claude St-Pierre are not independent as they have a material relationship with the Company, by virtue of their executive officer positions with the Company up to November 2, 2018, and as employees of the Company after this date.

All four other directors, Dickie Orr, David K. Wong, Gary O'Connor and Murat Armutlu, are independent, making up the majority of the Board. The independent directors hold separate meetings at which management is not in attendance, immediately following full Board meetings. The Board facilitates open and candid discussion among its independent directors by also encouraging such members to have discussions amongst themselves whenever appropriate.

The Audit Committee is chaired by Gary O'Connor, who in this role provides leadership among the independent directors.

Nomination, orientation and continuing education

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

New directors, as part of the orientation program, have the opportunity to meet with senior management to discuss the business of the Company, receive corporate information, Board policies and historical and current operating and financial information and may tour selected offices and facilities of the Company. Directors are briefed regularly by senior management team on strategic issues affecting the Company, and these briefing include reviews of the competitive environment, the Company's performance relative to its peers, and any other developments that could materially affect the Company's business. The Board will also ensure that directors are able to attend conferences or other similar events to participate in continuing education in matters relevant to their role as directors.

Each director of the Company is elected annually and holds office until the next Annual General Meeting of the shareholders unless that person ceases to be a director before then.

Due to the minimal size of the Board, no formal effectiveness or contribution assessment process is conducted on the Board's individual directors or Audit Committee. On an informal basis, the Chairman is responsible for reporting to the Board on areas where improvements should be made. When needed, time is set aside for the Chairman to meet with directors individually.

Security Holdings of the Directors and Officers

To the best of the Company's knowledge, as of the date of this AIF, the Directors and Officers of the Company beneficially own, or controlled or directed, directly or indirectly, an aggregate of 5,597,618 common shares of the Company, representing 24.3% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company is, at the date hereof, or was within the ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, at the date of this AIF, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, has entered into a settlement agreement with a securities authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, there are no existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

PROMOTER

Stanley Ma is considered to be a promoter of the Company. Mr. Ma beneficially owns, or exercises control or direction over, directly or indirectly, 4,885,643 common shares of the Company, representing approximately 19.8% of the issued and outstanding common shares of the Company. For the year ended November 30, 2020, Mr. Ma received wages of $114,163 and had car benefits of $30,140.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

The Company is not aware of any penalties or sanctions imposed against the Company or the Company's subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the Company's financial year ended November 30, 2020, or any other penalties or sanctions imposed by a court or regulatory body against the Company or Company's subsidiaries that would likely be considered important to a reasonable investor in making an investment decision, and the Company and Company's subsidiaries have not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the Company's financial year ended November 30, 2020.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the common shares of the Company is:

Computershare Investor Services Inc.
100 University Ave, 9th Floor
Toronto, ON M5J 2Y1

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as noted below, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of the Company's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The following are the contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and were entered into within the most recently completed financial year, or before the most recently completed financial year but which are still in effect:

1. Rocky Mountain Chocolate Factory Master License Agreement dated August 17, 2009 between Kahala Franchising Corp. and Rocky Mountain Chocolate Factory, Inc., granting an irrevocable non-exclusive right to the Company to offer Rocky Mountain Chocolate Factory products in existing Cold Stone Creamery locations in the United States or to open co-branded (Cold Stone Creamery/Rocky Mountain Chocolate Factory) stores. This agreement is valid as long as the Company's network has Rocky Mountain Chocolate Factory stores in operations and as long as there is no default to the clauses contained in the agreement.

2. Master License Agreement dated November 6, 2009 and amended May 17, 2016 permitting Tim Hortons stores to offer Cold Stone Creamery and permitting Cold Stone Creamery stores to offer Tim Hortons. The grant is irrevocable and non-exclusive and is applicable only for co-branded stores. The agreement is valid as long as co-branded stores are in operation and as long as there is no default to the clauses contained in the agreement. Both parties have termination rights in the agreement.
3. Stock Option Plan dated March 16, 2016. As of the date of this AIF, there were 400,000 options outstanding.

4. During the year, the Company amended its covenant on its existing credit facilities payable to a syndicate of lenders. See section "Credit Facility" for further details on the amendments. The revolving credit facility has an authorized amount of $700 million (November 30, 2019 - $700 million). The facility is secured by a moveable hypothec on most of the assets of the Company.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP., Partnership of Chartered Professional Accountants ("PwC"), since March 27, 2018 is the external auditor of the Company and has prepared the Independent Auditor's Report dated February 17, 2021, with respect to the audited consolidated financial statements of the Company as at and for the year ended November 30, 2020. As of February 17, 2021, PwC is independent from the Company within the meaning of the Code of Ethics of the Chartered Professional Accountants of Quebec.

AUDIT COMMITTEE INFORMATION OF MTY FOOD GROUP INC.

Composition of the Audit Committee

The following directors are the members of the Audit Committee:

Murat Armutlu	Independent [(1)]	Financially literate [(2)]
David K. Wong	Independent [(1)]	Financially literate [(2)]
Dickie Orr	Independent [(1)]	Financially literate [(2)]
Gary O-Connor	Independent [(1)]	Financially literate [(2)]

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

The relevant education and/or experience of each member of the Audit Committee is as follows:

Murat Armutlu, CPA, CA: Mr. Armutlu is a Chartered Professional Accountant and formerly served as Chief Financial Officer of the Corporation from December 2000 to April 2003. Mr. Armutlu has a Bachelor of Commerce (Accounting) degree. He earned his Chartered Accountant designation in 1986, and he also earned a Certified Public Accountant designation in 1997. Since 1990, he has served as auditor, accountant, and business advisor for his clients.

David K. Wong: Mr. Wong has over 20 years of experience in public and private equity investments in both domestic and international markets. He is currently Managing Director of DK Wong & Associates Inc., an advisory service which specializes in assisting entrepreneurs in seeking investment capital, mergers and acquisition candidates and corporate restructuring. Mr. Wong's past experiences also include serving as Manager, Technology Research at Avenir Capital Corp., Technology Analyst at Canaccord Capital Corp. and Research Analyst for C.M. Oliver & Co. Ltd. Mr. Wong received a Bachelor of Arts, Major in Economics from Simon Fraser University and is a member of CFA Institute, CFA Vancouver and ACG Vancouver Chapter.

Dickie Orr: Mr. Dickie Orr has over 27 years of experience as an investment advisor, involved in public and private equity investments in both domestic and international markets.

Gary O'Connor, CPA, CA: Mr. O'Connor served on the Board of Imvescor Restaurant Group Inc. from March 2014 to March 2018. He was a Partner of KPMG for 40 plus years from 1968 to 2012. He has an extensive experience with both SEC registrants and Canadian public companies as well as owner managed businesses and not-for-profit organizations. His industry experience includes retail (Reitmans Canada and Henry Birks), Consumer products (Dorel Industries), financial institutions (Bank of Montreal, Montreal Trust, Roynat) as well as numerous other manufacturing and distribution businesses. During his career, he held various management responsibilities within it including heading one of the audit teams comprised of 65 professionals. He was also a Member of various Firm committees including Professional

Development and Information Technology Systems Audits. He was a Member of the Board of Trustees of a private Foundation associated with Concordia University from 2003 to 2017. He is a Member of the Quebec Order of Certified Professional Accountant. Mr. O'Connor received a Bachelor of Commerce in Accounting from Concordia University.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Corporation's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The fees billed by PwC, the Company's external auditor in each of the last two fiscal years for audit and non-audit related services provided to the Company or its subsidiaries (if any) are as follows:

Financial Year Ending November 30	Audit Fees	Audit Related Fees	Tax Fees (1)	All other Fees
2020	$1,387,997	—	172,823	100,949
2019	$1,250,000	—	—	—

(1) Fees for tax advice and tax planning

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year.

APPENDIX A

AUDIT COMMITTEE CHARTER

Purpose

This charter governs the operations of the Audit Committee (the "Committee").

The purpose of the Committee is to assist the Board of Directors (the "Board") in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the effectiveness of the Company's internal controls over financial reporting, the Company's compliance with legal and regulatory requirements relating to financial reporting and the external auditors' qualifications and independence.

The Committee approves and recommends to the Board, all matters falling within its purview, in accordance with its mandate, applicable laws, rules and regulations, the Company's by-laws and internal policies.

Composition

Following each annual meeting of shareholders, the Board shall elect a minimum of three directors (the "Members"), to serve on the Committee until the close of the next annual meeting of the shareholders or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the Board. One of the members shall be appointed by the Board as Chairperson of the Committee (the "Chair").

Each Member shall be independent, as determined by Canadian securities legislation requirements, and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his/her independent judgment or their ability to represent their own professional view as a Member of the Committee.

Each Member shall be financially literate. Financial literacy requires that all Members have sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Meetings

1. The Committee shall meet no less than four times during each financial year. The Committee shall meet on a regular basis without management or the external auditors and shall meet separately with management, the internal and external auditors at least annually.
2. The Chair shall develop the agenda for each meeting of the Committee in consultation with management of the Company. The agenda and the appropriate material shall be provided to the Members on a timely basis prior to any meeting. Members shall attend meetings and review related meeting materials in advance. The Committee may invite such other persons to its meetings, as it deems necessary.
3. Minutes of meetings shall be recorded and maintained by the Corporate Secretary or his/her designate and shall be subsequently presented to the Committee for approval.
4. The Chair shall report regularly to the Board on the business of the Committee.

Responsibilities

<u>Financial Reporting and Disclosures</u>

1. Reviewing with management and the external auditors the quarterly and annual financial statements and accompanying notes, and the external auditors' report thereon, and the financial information and forward-looking information contained in the Management's Discussion and Analysis, Press Releases, AIF, Management Proxy Circular, prospectuses and any other documents containing financial information or forward-looking information before their public disclosure or filing with regulatory authorities.
2. Reviewing with management and the external auditors the major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, and major issues regarding the adequacy and effectiveness of the internal controls and the quality and acceptability of the Company's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of

financial information that have been discussed with management, the ramification of their use and the external auditors' preferred treatment.

3. Discussing with management and the external auditors regarding significant estimates and judgments made in connection with the preparation of the financial statements and the reasonableness of those estimates and judgments, including analyses of the effects of alternative GAAP on the financial statements.
4. Discussing with management and considering the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements.
5. Ensuring the completeness and clarity of the disclosures in the financial statements.
6. Reviewing all related-party transactions required to be disclosed and discuss with management the business rationale for the transaction and whether appropriate disclosures have been made.

Risk Management and Internal Controls

1. Discussing with management its process for assessing the effectiveness of internal control over financial reporting.
2. Reviewing reports from management and the external auditors on management's assessment of the effectiveness of internal controls over financial reporting.
3. Discussing with management and the external auditors all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data, and management's remediation plan to address internal control deficiencies.
4. Discussing with management and the external auditors any changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed or any other change that were considered for disclosure.
5. Reviewing and discussing any fraud or alleged fraud involving management or other employees and the related corrective and disciplinary actions to be taken.
6. Reviewing on a regular basis and monitoring the Company's risk assessment and management policies, including the Company's major financial accounting and risk exposures and the procedures in place to monitor, control, report and mitigate those risks.

External Auditors

1. Evaluating the performance of the external auditors and making recommendations to the Board on the nomination for reappointment or appointment of the external auditors. Such nomination is to be approved by the Board. The external auditors will be reappointed or appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.
2. Reviewing the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed audit fees and make the appropriate recommendations to the Board. The remuneration of the external auditors will be determined by the Board, upon the annual authorization of the shareholders at each general meeting of the shareholders.
3. Overseeing of the work of the external auditors and monitoring their qualifications, performance and independence.
4. Reviewing the external auditors' report including the firm's internal quality control procedures, any material issues raised by the internal quality review or peer review of the firm or by any inquiry or investigation conducted by governmental or professional authorities within the five preceding years, and all relationships between the external auditors and the Company to assess the external auditors independence.
5. Pre-approving the basis and amount of all non-audit services provided by the external auditors, including determining and discussing with management the non-audit services that should not be provided by the external auditors.
6. Reviewing the audit plan and, if applicable, the quarterly financial statements review plan with the external auditors and management and approving the scope, extent and schedule of such plans.
7. Reviewing the Company's hiring policies for employees or former employees of the external auditors.
8. Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required.
9. Ensuring that the external auditors report directly to the Committee, that the external auditors are able to complete their audit procedures and reviews with professional independence, free from any undue interference from the Company's management or Board and that management fully cooperates with the external auditors in the course of carrying out their professional duties.
10. Reviewing with the external auditors any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditors regarding financial reporting.

Other

1. Reviewing such litigations, claims, transactions or other contingencies as the external auditors or any officer of the Company may bring to the attention of the Committee.
2. The Committee shall consider all other matters of a financial nature further delegated by the Board.
3. Reviewing the Committee's mandate at least annually and recommend any changes to the Board for approval.
4. Evaluating the performance of the Committee in reference to this charter annually.
5. Adhering to the Company's code of conduct and disclosing all conflicts of interest or appearance of a conflict of interest to the Board.
6. Establishing procedures for the receipt, retention and treatment of complaints or concerns received by the Company regarding accounting or auditing matters, including the anonymous submission by employees of concerns respecting accounting or auditing matters.
7. The Committee shall ensure that this charter (or an approved summary thereof) is disseminated in accordance with Applicable Requirements.

Authorities

1. The Committee shall have a direct line of communication with the internal and external auditors.
2. The Committee shall have full, free and unrestricted access to management and employees and to the relevant books and records of the Company and shall be empowered to investigate any matter brought to its attention.
3. The Committee shall have the authority to retain independent legal, accounting or other relevant advisors as it may deem necessary or appropriate to carry out its duties.