Management's Discussion and Analysis
For the three months ended February 28, 2022
Key highlights

- **Adjusted EBITDA[(1)] of $35.6 million in the quarter, compared to $32.6 million in Q1-21.**
- **Cash flows from operating activities of $39.7 million in the quarter.**
- **Free cash flows per diluted share[(2)] reached $1.51.**
- **Net income attributable to owners of $16.6 million in the quarter, or $0.68 per diluted share, up from a net income attributable to owners of $13.4 million, or $0.54 per diluted share, in Q1-21.**
- **Long-term debt repayments of $10.1 million for the quarter.**
- **Repurchased and cancelled 256,400 shares for a total consideration of $14.6 million in Q1-22.**
- **System sales[(3)] of $885.7 million, up 16% compared to Q1-21. System sales up 46% in Canada, 12% Internationally and 4% in the US.**
- **82 restaurants were temporarily closed at the beginning of the quarter and 69 at the end of the quarter. 67 restaurants remained temporarily closed as at date of this press release. 225 locations were closed one or more days during the quarter.**
- **Quarterly dividend payment of $0.21 per share on February 15, 2022.**
- **Acquisition of Küto Comptoir à Tartares in December 2021.**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(2) *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.*
(3) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Management's Discussion and Analysis
For the three months ended February 28, 2022

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's condensed interim consolidated financial statements for the period ended February 28, 2022 and the audited consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2021.

In the MD&A, 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.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2021.

This MD&A was prepared as at April 7, 2022. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

This MD&A and, in particular but without limitation, the sections of this MD&A entitled "Near-Term Outlook", "Same-Store Sales" and "Contingent Liabilities", contain 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 2022. 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 MD&A describe the Company's expectations as at April 7, 2022 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 MD&A 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 MD&A are based on a number of assumptions that are believed to be reasonable on April 7, 2022. Refer, in particular, to the section of this MD&A entitled "Risks and Uncertainties" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the condensed interim consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and information on contingent liabilities and contingent assets provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

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 MD&A 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, other pandemics and 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 MD&A.

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 April 7, 2022. 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.

CORE BUSINESS

MTY franchises and operates quick service, fast casual and casual dining restaurants. MTY aims to be the franchisor of choice in North America and offers the market a range of offering through its many brands. MTY currently operates under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, 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, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, La Boite Verte, Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Küto Comptoir à Tartares.

As at February 28, 2022, MTY had 6,704 locations in operation, of which 6,615 were franchised or under operator agreements and the remaining 89 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities, grocery stores, and food-truck carts. Over the last 43 years, MTY has developed several restaurant concepts, including Tiki-Ming, which was the first concept it franchised. Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

In the wake of COVID-19, MTY has also launched multiple ghost kitchens in existing restaurant locations. 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.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turnkey projects, rent, supplies, finished products and equipment sold.

Revenues and expenses from corporate-owned locations include sales generated and cost incurred from their operations.

Promotional funds contributions are based on a percentage of gross sales as reported by the franchisees. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely in promotional and marketing-related costs for specific restaurant banners.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenue from its distribution centers that serve primarily the Valentine, Casa Grecque and Küto Comptoir à Tartares franchisees. Furthermore, the Company generates revenues from the sale of retail products under various brand names, which are sold at a variety of retailers.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS. Definitions of all non-GAAP ("generally accepted accounting principles") measures, non-GAAP ratios and supplemental financial measures can be found in the supplemental information section of this MD&A. The non-GAAP measures, non-GAAP ratios and supplemental financial measures used within the context of this MD&A do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company believes that non-GAAP measures, non-GAAP ratios and supplemental financial measures are useful because they are consistent with the indicators management uses internally to measure the Company's performance, to prepare operating budgets and to determine components of executive compensation. The Company also believes that these measures are used by securities analysts, investors and other interested parties and that these measures allow them to compare the Company's operations and financial performance from period to period and provide them with a supplemental measure of the operating performance and financial position and thus highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP measures.

HIGHLIGHTS OF SIGNIFICANT EVENTS

COVID-19

During the first quarter of 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada continued to be impacted by the continuation of government-imposed restrictions, as well as additional government mandated restrictions at the beginning of the quarter in response to the spread of the Omicron variant, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, throughout the quarter such restrictions were gradually eased, with most territories back to full capacity for seated dining by the end of the quarter and on the path to removing all restrictions, including vaccine passports and mask mandates, shortly after the end of the quarter. The US continued its pandemic recovery, with most states operating without any restrictions and the last mask mandates in effect throughout the country being lifted shortly after the end of the quarter. The disruptions are expected to persist into 2022 with uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As at February 28, 2022, MTY had 69 locations temporarily closed due to the pandemic, with many of those open operating with some restrictions. Locations that are still temporarily closed are mostly located in malls, office towers and non-traditional locations such as airports, gyms and universities. During the quarter, 225 locations were closed one or more days due to government-imposed restrictions.

As previously reported, MTY is continuing its measures set out in 2020 to continually assist franchisees and ensure the safety and well-being of its employees, guests, and partners. Management continues to adapt and respond to the challenges presented by the current pandemic and monitors on a regular basis capital and operational spending to manage cash flows and ensure continued liquidity in the face of these uncertainties.

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company’s wholly owned subsidiaries completed its acquisition of the assets of Küto Comptoir à Tartares, a fast-growing chain of tartare restaurants operating in the province of Quebec, for a total cash consideration of $9.0 million plus a deferred contingent consideration of $3.5 million. At closing, there were 31 franchised Küto Comptoir à Tartares restaurants in operation.

Change in control

On December 3, 2021, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. Accordingly, the Company now has control over 11554891 Canada Inc., which triggers its deemed acquisition and thus fully consolidates 11554891 Canada Inc. starting December 3, 2021. There is no cash consideration for the acquisition and there is no change of participation of each partner in 11554891 Canada Inc. The change in control provides for the revaluation of the previously held interest to its fair market value.The Company remeasured its pre-existing equity interest of 70% to its fair value of $23.1 million. As a result, the Company recorded a loss of $2.8 million in its condensed interim consolidated statement of income for the three-month period ended February 28, 2022.

DESCRIPTION OF RECENT ACQUISITION

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CHANGE IN CONTROL

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SUMMARY OF QUARTERLY FINANCIAL METRICS

(In thousands $, except per share information)	May 2020	August 2020	November 2020	February 2021	May 2021	August 2021	November 2021	February 2022
	Quarters ended							
Revenue	97,808	135,366	127,163	118,960	135,857	150,801	146,285	140,494
Net (loss) income attributable to owners	(99,126)	22,932	20,078	13,397	23,028	24,337	24,877	16,637
Total comprehensive (loss) income attributable to owners	(80,422)	(10,691)	14,911	(953)	(7,588)	52,026	34,188	11,461
Net (loss) income per share	(4.01)	0.93	0.81	0.54	0.93	0.99	1.01	0.68
Net (loss) income per diluted share	(4.01)	0.93	0.81	0.54	0.93	0.98	1.00	0.68
Cash flows provided by operating activities	19,207	38,624	44,841	31,307	29,541	46,553	31,898	39,696

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	May 2020	August 2020	November 2020	February 2021	May 2021	August 2021	November 2021	February 2022
	Quarters ended							
System sales (1 & 2)	670.7	897.5	891.4	761.1	891.5	1,016.2	962.5	885.7
# of locations	7,236	7,123	7,001	6,949	6,907	6,848	6,719	6,704
Adjusted EBITDA (3)	18,213	43,388	35,181	32,637	43,481	49,673	42,831	35,637
Free cash flows (3)	28,926	37,078	43,910	30,300	27,497	45,601	35,603	36,970
Free cash flows per diluted share (4)	1.17	1.50	1.78	1.23	1.11	1.84	1.44	1.51

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*
(2) *In millions $.*
(3) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(4) *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.*

SEGMENT NOTE DISCLOSURE

Management monitors and evaluates the Company's results based on geographical segments; these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss, which is equal to revenue less operating expenses. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include franchising, corporate stores, food processing, retail and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2022

Revenue

During the first quarter of 2022, the Company's total revenue increased to $140.5 million, from $119.0 million a year earlier. Revenue for the two segments of business are broken down as follows:

Segment	Subdivision	February 28, 2022 ($ millions)	February 28, 2021 ($ millions)	Variation
Canada	Franchise operation	28.4	18.4	54%
	Corporate stores	5.8	3.4	71%
	Food processing, distribution and retail	36.5	28.7	27%
	Promotional funds	9.2	5.9	56%
	Intercompany transactions	(0.3)	(0.4)	N/A
Total Canada		79.6	56.0	42%
US & International	Franchise operation	40.3	38.1	6%
	Corporate stores	4.6	10.3	(55%)
	Food processing, distribution and retail	1.4	1.2	17%
	Promotional funds	14.8	14.0	6%
	Intercompany transactions	(0.2)	(0.6)	N/A
Total US & International		60.9	63.0	(3%)
Total revenue		**140.5**	**119.0**	**18%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 54%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first quarter of 2021	18.4
Increase in recurring revenue streams [(1)]	7.9
Increase in turnkey, sales of material to franchisees and rent revenues	1.6
Increase due to the acquisitions	0.2
Other non-material variations	0.3
Revenue, first quarter of 2022	28.4

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The first quarter of 2022 showed signs of pandemic recovery, with system sales increasing by 46% compared to the same period last year despite the impact of the Omicron variant, which led to additional government-imposed restrictions on the network's establishments in key territories for several weeks in the first quarter of 2022. The network's digital sales reached $76.7 million during the quarter, compared to $67.2 million in the same period last year, which represents an increase of approximately $0.5 million in recurring revenue streams. The number of temporarily closed locations fluctuated throughout the first quarters of 2022 and 2021, however, as at February 28, 2022, the Company had 52 locations temporarily closed in Canada compared to 195 locations the year before.

Revenue from corporate-owned locations increased by 71% to $5.8 million during the quarter. The increase is mostly due to pandemic recovery and an overall increase in operational business days in the first quarter of 2022 compared to the same period last year. There was also a slight increase attributable to an increase in corporate locations compared to the same period last year.

Food processing, distribution and retail revenues increased by 27% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by our processing and distribution centers. In the first quarter of 2022, 175 products were sold in the Canadian retail market (2021 – 147).

The promotional fund revenue increase of 56% is partly due to the increase in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 6%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first quarter of 2021	38.1
Increase in recurring revenue streams [(1)]	2.4
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Decrease in sales of material and services to franchisees	(0.5)
Increase in gift card breakage income	0.2
Other non-material variations [(2)]	(0.3)
Revenue, first quarter of 2022	40.3

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.
(2) There was no significant impact of variation in foreign exchange rates.

The increase in franchising revenues is mostly due to higher recurring revenue streams compared to the same period last year, partially attributable to the momentum in the recovery from the pandemic, with the removal of most government-imposed restrictions in key states and territories. The decrease in sales of material and services to franchisees is due to the fluctuation of sales volume of equipment sold to franchisees.

The decrease of $5.7 million in corporate-owned location revenues is primarily due to the sale in the prior quarter of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 6% is partly due to the increase in system sales as well as the impact of the various contribution rates.

Operating expenses

During the first quarter of 2022, operating expenses increased by 22% to $104.9 million, up from $86.2 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	February 28, 2022 ($ millions)	February 28, 2021 ($ millions)	Variation
Canada	Franchise operation	16.5	11.1	49%
	Corporate stores	6.3	3.0	110%
	Food processing, distribution and retail	33.3	26.0	28%
	Promotional funds	9.2	5.9	56%
	Intercompany transactions	(0.4)	(0.5)	N/A
Total Canada		64.9	45.5	43%
US & International	Franchise operation	19.7	17.0	16%
	Corporate stores	5.6	10.2	(45%)
	Promotional funds	14.8	14.0	6%
	Intercompany transactions	(0.1)	(0.5)	N/A
Total US & International		40.0	40.7	(2%)
Total operating expenses		**104.9**	**86.2**	**22%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $5.4 million, due to several factors listed below:

	(In millions $)
Operating expenses, first quarter of 2021	11.1
Increase due to not qualifying for government wage subsidies	1.5
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	1.5
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.1
Decrease in expected credit loss provision	(0.2)
Increase due to acquisitions	0.1
Decrease due to impact of IFRS 16 on rent expense	(0.1)
Increase due to impact of IFRS 16 on impairment of lease receivables	0.1
Other non-material variations	0.4
Operating expenses, first quarter of 2022	16.5

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Controllable expenses increased by $2.1 million, primarily due to higher wages. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages that was slightly more elevated compared to the same quarter last year. The increase in turnkey costs, cost of sale of material and services to franchisees and rent is mostly attributable to an increase in the number of turnkey projects, which fluctuated in line with the associated revenues.

Expenses from corporate stores increased by $3.3 million compared to the same period last year, partly correlated to the related revenues, and partially due to the impact of wage and rent subsidies received from the government in the same quarter last year, compared to nil in the first quarter of 2022.

Food processing, distribution and retail costs slightly exceeded related revenue growth due to current supply chain costs and wage increases.

The variations of promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International increased by $2.7 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, first quarter of 2021	17.0
Increase in non-controllable expenses [(1)]	0.1
Decrease in cost of sale of material and services to franchisees and rent	(0.9)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.5
Increase in expected credit loss provision	0.3
Increase due to impact of IFRS 16 on rent expense	0.4
Other non-material variations [(2)]	0.3
Operating expenses, first quarter of 2022	19.7

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*
(2) *There was no significant impact of variation in foreign exchange rates.*

Operating expenses for the first quarter increased by $2.7 million, mostly due to higher wages. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages that was slightly more elevated compared to the same quarter last year. This was offset by a decrease in sales of material and services to franchisees that were tightly correlated with the related revenues as well as a decrease in lease termination payments to landlords.

The decrease of $4.6 million in corporate-owned location revenues is due to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises.

The variation from promotional funds fluctuated in correlation to the related revenues.

Segment profit (loss) and Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") [(1)]

Three-month period ended February 28, 2022			
(In millions $)	Canada	US & International	Total
Revenue	79.6	60.9	140.5
Operating expenses	64.9	40.0	104.9
Segment profit	14.7	20.9	35.6
Segment profit as a % of Revenue	18%	34%	25%
Segment profit	14.7	20.9	35.6
Adjusted EBITDA	14.7	20.9	35.6
Adjusted EBITDA as a % of Revenue [(2)]	18%	34%	25%

Three-month period ended February 28, 2021			
(In millions $)	Canada	US & International	Total
Revenue	56.0	63.0	119.0
Operating expenses	45.5	40.7	86.2
Segment profit	10.5	22.3	32.8
Segment profit as a % of Revenue	19%	35%	28%
Segment profit	10.5	22.3	32.8
Net loss in joint venture	(0.2)	—	(0.2)
Adjusted EBITDA	10.3	22.3	32.6
Adjusted EBITDA as a % of Revenue [(2)]	18%	35%	27%

Below is a summary of performance segmented by product/service:

Three-month period ended February 28, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	68.7	10.4	37.9	24.0	(0.5)	140.5
Operating expenses	36.2	11.9	33.3	24.0	(0.5)	104.9
Segment profit (loss)	32.5	(1.5)	4.6	—	—	35.6
Segment profit (loss) as a % of Revenue	47%	N/A	12%	N/A	N/A	25%
Segment profit (loss)	32.5	(1.5)	4.6	—	—	35.6
Adjusted EBITDA	32.5	(1.5)	4.6	—	—	35.6
Adjusted EBITDA as a % of Revenue (2)	47%	N/A	12%	N/A	N/A	25%

Three-month period ended February 28, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	56.5	13.7	29.9	19.9	(1.0)	119.0
Operating expenses	28.1	13.2	26.0	19.9	(1.0)	86.2
Segment profit	28.4	0.5	3.9	—	—	32.8
Segment profit as a % of Revenue	50%	4%	13%	N/A	N/A	28%
Segment profit	28.4	0.5	3.9	—	—	32.8
Net loss in joint venture	(0.2)	—	—	—	—	(0.2)
Adjusted EBITDA	28.2	0.5	3.9	—	—	32.6
Adjusted EBITDA as a % of Revenue (2)	50%	4%	13%	N/A	N/A	27%

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

(2) *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, first quarter of 2021	10.5	22.3	32.8
Variance in recurring revenues and expenses [1]	5.4	(1.0)	4.4
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	0.5	0.6	1.1
Variance in initial franchise fees, renewal fees and transfer fees	—	0.4	0.4
Variance due to government wage and rent subsidies	(2.4)	—	(2.4)
Variance in expected credit loss provision	0.2	(0.3)	(0.1)
Variance due to acquisitions	0.3	—	0.3
Variance due to impact of IFRS 16 on rent revenue & expense	0.3	(0.9)	(0.6)
Variance due to impact of IFRS 16 on impairment of lease receivables	(0.1)	—	(0.1)
Impact of variation in foreign exchange rates	—	(0.1)	(0.1)
Other non-material variations	—	(0.1)	(0.1)
Segment profit, first quarter of 2022	14.7	20.9	35.6
Adjusted EBITDA [2], first quarter of 2021	10.3	22.3	32.6
Variances in segment profit	4.2	(1.4)	2.8
Variance due to net impact of joint venture	0.2	—	0.2
Adjusted EBITDA [2], first quarter of 2022	14.7	20.9	35.6

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.
(2) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.

Total segment profit and adjusted EBITDA for the three-month period ending February 28, 2022 were $35.6 million, up by 9% compared to the same period last year. Canada contributed 41% of total adjusted EBITDA and an increase of $4.4 million compared to the same period last year, while the US & International adjusted EBITDA decreased by 6% or $1.4 million. Major brands such as Cold Stone, Baton Rouge, Ben & Florentine, Thai Express and Sushi Shop, to name a few, greatly outperformed prior year as mall and street locations generated growth of 63% and 11% over the same period last year, respectively.

Net income

For the three months ended February 28, 2022, a net income attributable to owners of $16.6 million was recorded, or $0.68 per share ($0.68 per diluted share) compared to net income attributable to owners of $13.4 million or $0.54 per share ($0.54 per diluted share) last year.

Calculation of Adjusted EBITDA [1]

(In thousands $)	Quarter ended February 28, 2022	Quarter ended February 28, 2021
Income before taxes	21,687	17,600
Depreciation – property, plant and equipment and right-of-use assets	3,660	3,889
Amortization – intangible assets	7,030	7,287
Interest on long-term debt	1,375	3,263
Net interest expense on leases	482	572
Impairment charge – right-of-use assets	55	453
Unrealized and realized foreign exchange gain	(865)	(1,347)
Interest income	(74)	(82)
Gain on de-recognition/lease modification of lease liabilities	(397)	(72)
Loss (gain) on disposal of property, plant and equipment	47	(143)
Revaluation of financial liabilities recorded at fair value through profit and loss	(132)	1,217
Loss on remeasurement of joint venture interest	2,769	—
Adjusted EBITDA	**35,637**	**32,637**

[1] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Other income and expenses

Interest on long-term debt decreased by $1.9 million because of repayments made on the revolving credit facility over the course of the last 12 months, as well as the positive impact of cross currency interest rate swaps.

CONTRACTUAL OBLIGATIONS

The obligations pertaining to the long-term debt and the minimum net rentals for the leases are as follows:

(In millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	127.3	—	—	—	—	—	—
Long-term debt [1]	20.1	1.7	—	341.6	—	—	—
Interest on long-term debt [2]	2.6	2.6	5.2	0.8	—	—	—
Net lease liabilities [3]	6.2	6.3	11.2	9.7	8.8	7.7	20.3
Total contractual obligations	**156.2**	**10.6**	**16.4**	**352.1**	**8.8**	**7.7**	**20.3**

[1] *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes interest-bearing loans related to acquisitions, contingent consideration on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.*

[2] *When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.*

[3] *Net lease liabilities include the total undiscounted lease payments of leases, offset by finance lease receivables and operating subleases.*

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2022, the amount held in cash totaled $52.5 million, a decrease of $8.8 million since the end of the 2021 fiscal period.

During the first quarter of 2022, MTY paid $5.1 million (2021 – nil) in dividends to its shareholders and repurchased and cancelled 256,400 (2021 – nil) of its shares for $14.6 million (2021 – nil) through its normal course issuer bid ("NCIB").

During the three-month period ended February 28, 2022, cash flows generated by operating activities were $39.7 million, compared to $31.3 million in the same period last year. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $36.9 million in cash flows, compared to $34.4 million in 2021.

The revolving credit facility has an authorized amount of $600.0 million (November 30, 2021 – $600.0 million), of which $338.0 million was drawn as at February 28, 2022 (November 30, 2021 – $345.0 million).

Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt to EBITDA ratio (1) that must be less than or equal to 3.50:1.00;
- a debt to EBITDA ratio (1) that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150.0 million; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

(1) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.

The revolving credit facility is repayable without penalty with the balance due on the date of maturity April 22, 2024.

As at February 28, 2022, the Company was in compliance with the covenants of the credit agreement.

LOCATION INFORMATION

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

Number of locations:

	February 28, 2022	February 28, 2021
Franchises, beginning of the period	**6,603**	6,867
Corporate-owned, beginning of the period		
Canada	**42**	37
US	**51**	76
Joint venture (1)	**23**	21
Total, beginning of the period	**6,719**	7,001
Opened during the period	**75**	41
Closed during the period	**(121)**	(92)
Acquired during the period	**31**	—
Joint venture closed during the period (1)	**—**	(1)
Total, end of the period	**6,704**	6,949
Franchises, end of the period	**6,615**	6,816
Corporate-owned, end of the period		
Canada	**44**	38
US	**45**	75
Joint venture (1)	**—**	20
Total, end of the period	**6,704**	6,949

(1) On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc. – see Note 5 to the condensed interim consolidated financial statements.

The Company's network acquired 31 locations (2021 – nil) and opened 75 locations (2021 – 41 locations) in the first quarter of 2022. The geographical breakdown of openings is as follows:

	Three months ended February 28,	
	2022	2021
Canada	**35**	18
US	**21**	10
International	**19**	13
Opened or acquired	**75**	41

During the first quarter of 2022, the Company's network closed 121 locations (2021 – 92 locations and one location through the joint venture). Of the locations closed during the period, 56% were located on street front, 29% in malls and office towers and 15% in other non-traditional formats. The table below provides the geographical breakdown of the closures. Of the 29 international closures, 23 were attributable to one franchisee who no longer operates any location.

	Three months ended February 28,	
	2022	2021
Canada	**42**	45
US	**50**	43
International	**29**	5
Closed	**121**	93

MTY started the quarter with 82 temporarily closed locations because of COVID-19. The Company's network saw a reduction of temporarily closed locations over the course of the quarter and as at February 28, 2022 had a total of 69 locations temporarily closed (February 28, 2021 – 321 locations). Of these temporarily closed locations, 52 are in Canada (February 28, 2021 – 195 locations), 8 in the US (February 28, 2021 – 122 locations) and 9 are located Internationally (February 28, 2021 – 4 locations). As at April 7, 2022, MTY has 67 temporarily closed locations. Although these locations are expected to reopen, the timing of these re-openings is uncertain.

The chart below provides the breakdown of MTY's locations and system sales by type:

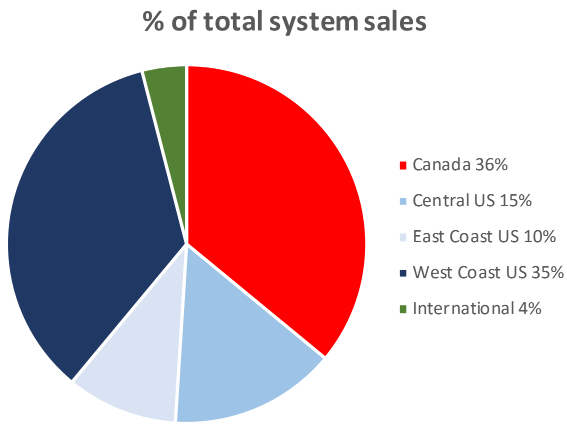
	% of location count		% of system sales Three months ended	
	February 28,		**February 28,**	
Location type	**2022**	2021	**2022**	2021
Shopping mall & office tower food courts	**14%**	15%	**11%**	8%
Street front	**64%**	63%	**80%**	84%
Non-traditional format	**22%**	22%	**9%**	8%

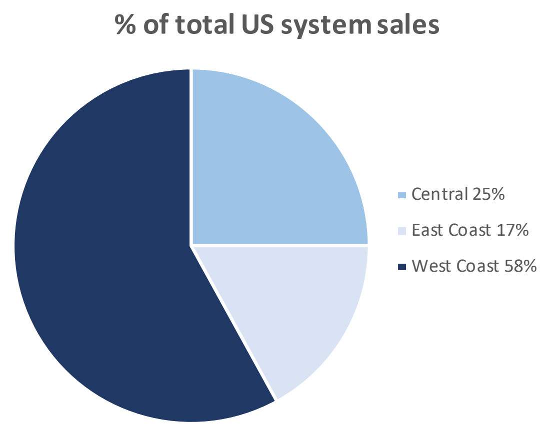
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Three months ended	
	February 28,		**February 28,**	
Geographical location	**2022**	2021	**2022**	2021
Canada	**39%**	39%	**36%**	29%
US	**54%**	54%	**60%**	67%
International	**7%**	7%	**4%**	4%

The territories that had the largest portions of total system sales were Quebec (Canada) with 19%, California (US) with 10%, Ontario (Canada) with 9%, Washington (US) with 6%, and Oregon (US) with 5%.

The geographical distribution of system sales is as follows:





The breakdown by the types of concepts for the system sales is as follows:

	% of location count		% of system sales Three months ended	
	February 28,		**February 28,**	
Concept type	**2022**	2021	**2022**	2021
Quick service restaurant	**83%**	83%	**75%**	78%
Fast casual	**10%**	10%	**14%**	13%
Casual dining	**7%**	7%	**11%**	9%

System sales

During the three-month period ended February 28, 2022, MTY's network generated $885.7 million in sales. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2022	320.3	532.0	33.4	**885.7**
First quarter of 2021	219.4	511.8	29.9	**761.1**
Variance	46%	4%	12%	**16%**

The overall movement in sales is distributed as follows:

	Three month sales ended February 28			
(millions of $)	Canada	US	International	TOTAL
Reported sales – 2021	219.4	511.8	29.9	761.1
Net increase in sales generated by concepts acquired during the last 24 months	5.5	—	—	5.5
Net variance in system sales	95.4	21.7	3.6	120.7
Cumulative impact of foreign exchange variation	—	(1.5)	(0.1)	(1.6)
Reported sales – 2022	320.3	532.0	33.4	885.7

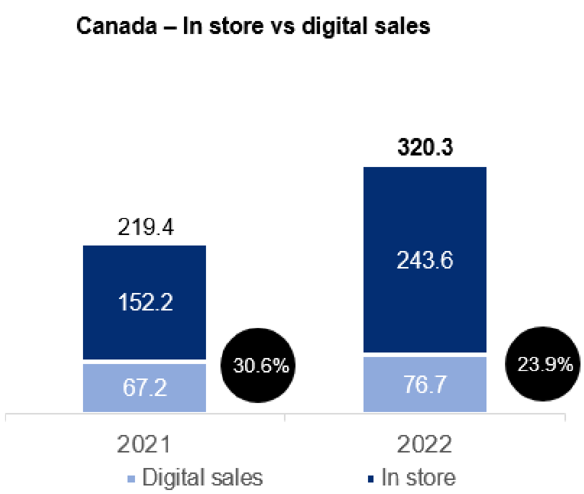
System sales for the three-month period ended February 28, 2022 increased by 16% compared to the same period last year, attributable to the momentum in the recovery from the pandemic. Canada contributed to most of the increase, with an improvement of 46% despite the impact of the Omicron variant, which led to additional government-imposed restrictions on the network's establishments in key territories for several weeks in the first quarter of 2022. These restrictions led to 181 locations being temporarily closed for 1 day or more during the quarter in Canada. The US also increased by 4% compared to the same quarter last year with the removal of most government-imposed restrictions in key states and territories. The casual dining concepts contributed $44.0 million to the overall increase, or a quarterly sales increase of 86%.

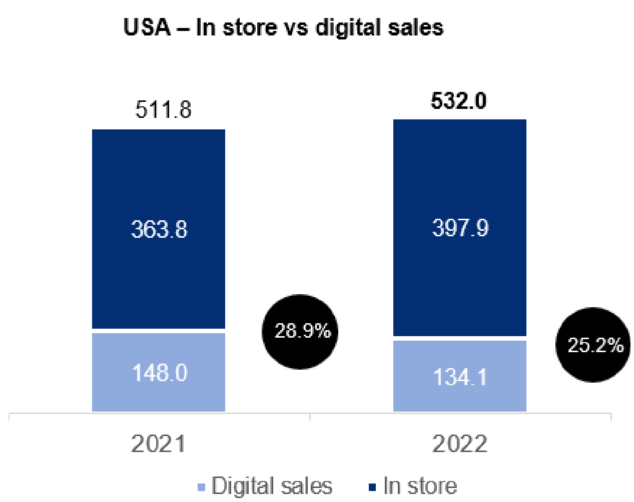
Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 30% and 18% respectively of the total sales of MTY's network for the three-month period ended February 28, 2022. Thai Express, Taco Time and Sushi Shop are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Digital sales

System sales versus digital sales breakdown is as follows for the three months ended February 28, 2022 and 2021:





Digital sales for the first quarter of 2022 decreased by 3% compared to the same period last year, from $215.2 million to $210.8 million, and represented 24.7% of total sales, compared to 29.4% in the same period last year. The lower proportion of digital sales as a % of total sales in the first quarter compared to the same period last year is mainly attributable to the re-opening of more traditional sales channels, which were affected by pandemic-related restrictions in the prior year. Although the overall % decreased as a % of sales, Canadian digital sales saw a growth of $9.5 million in the first quarter of 2022. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales as restrictions are gradually lifted.

Same-Store Sales

Due to the impacts of COVID-19 and the number of locations that have closed temporarily, providing same-store sales information could be misleading as what would be presented would not be a fair representation of the Company's royalty earning potential and would also not be a fair indication of the health of the network. Management directs investors to system sales as a better indication.

Management continues to expect system sales and same-store sales to be impacted well into 2022. Although the Company had great momentum prior to COVID-19, current world events will continue to have a drastic impact on both system and same-store sales in the quarters to come. The Company does expect however that results will eventually return to normal.

CAPITAL STOCK INFORMATION

Stock options

As at February 28, 2022, there were 440,000 options outstanding and 66,666 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2021 to February 28, 2022, MTY's share price fluctuated between $47.90 and $63.58. On February 28, 2022, MTY's shares closed at $51.13.

Capital stock

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at April 7, 2022, the Company's issued and outstanding capital stock consisted of 24,413,461 shares (November 30, 2021 – 24,669,861) and 440,000 granted and outstanding stock options (November 30, 2021 – 440,000). During the three-month period ended February 28, 2022, MTY repurchased 256,400 (2021 – nil) shares for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2021, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2021 and will end on July 2, 2022 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 three-month period ended February 28, 2022, the Company repurchased and cancelled a total of 256,400 common shares (2021 – nil) under the current NCIB, at a weighted average price of $57.01 per common share (2021 – nil), for a total consideration of $14.6 million (2021 – nil). An excess of $11.4 million (2021 – nil) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SEASONALITY

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. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2022, the normal seasonal trends might be affected by the shifts in consumer behavior caused by the pandemic or government regulations.

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company is involved in legal claims associated with its current business activities. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment. Contingent liabilities are disclosed as provisions on the condensed interim consolidated statement of financial position.

Included in provisions are the following amounts:

(In thousands $)	**February 28, 2022**	November 30, 2021
	$	$
Litigations, disputes and other contingencies	**1,386**	1,636
Closed stores	**—**	56
	1,386	1,692

The provision for litigation, disputes and other contingencies represents management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision.

The provisions also varied in part due to foreign exchange fluctuations related to the US subsidiaries.

GUARANTEE

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements is $18.8 million as at February 28, 2022 (November 30, 2021 - $19.3 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at February 28, 2022, the Company has accrued $1.8 million (November 30, 2021 - $1.8 million), included in Accounts payable and accrued liabilities in the condensed interim consolidated financial statements, with respect to these guarantees.

RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Remuneration of key management personnel and directors

The remuneration of key management personnel and directors, presented in Wages and benefits and Other as part of Operating expenses in the condensed interim consolidated financial statements, was as follows:

(In thousands $)	**February 28, 2022**	February 28, 2021
	$	$
Short-term benefits	**909**	727
Share-based compensation	**319**	239
Consulting fees	**67**	—
Board member fees	**19**	19
Total remuneration of key management personnel and directors	**1,314**	985

Key management personnel is composed of the Company's CEO, COOs and CFO. The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market conditions.

Given its widely held share base, the Company does not have an ultimate controlling party; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.4% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration, presented in Wages and benefits as part of Operating expenses in the condensed interim consolidated financial statements, was as follows:

(In thousands $)	**February 28, 2022**	February 28, 2021
	$	$
Short-term benefits	**143**	128
Share-based compensation	**7**	6
Total remuneration of individuals related to key management personnel	**150**	134

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are not yet effective for the period ended February 28, 2022 and have not been applied in preparing the condensed interim consolidated financial statements.

The following standards or amendments, may have a material impact on the consolidated financial statements of the Company:

Standard	**Issue date**	**Effective date for the Company**	**Impact**
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020 & February 2021	December 1, 2023	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

RISKS AND UNCERTAINTIES

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the US, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, 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.

The growth of MTY is dependent on maintaining the current franchise system, which is subject to many factors including but not limited to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

MTY is currently materially and adversely affected by the outbreak of COVID-19. Such a widespread health epidemic or pandemic, including arising from various strains of avian flu or swine flu, such as H1N1, or COVID-19, particularly if located in regions from which the Company derives a significant amount of revenue or profit could continue to impact the Company in the future. The occurrence of such an outbreak or other adverse public health developments can and could continue to materially disrupt the business and operations. Such events could also significantly impact the industry and cause a temporary closure of restaurants, which could severely disrupt MTY's or the Company's franchisees' operations and have a material adverse effect on the business, financial condition and results of operations.

At this time, the Company is unable to accurately predict the future impact that a pandemic, including that of COVID-19, will have on the results of operations due to uncertainties including the severity of the disease, the duration of the outbreak, and further actions that may be taken by governmental authorities to contain the virus or to treat its impact.

However, while it is premature to accurately predict the ultimate impact of these developments, the Company expects the results for the 2022 fiscal year to continue to be impacted with potential continuing adverse impacts beyond this.

In addition, the operations can and could continue to be disrupted if any of MTY's employees or employees of MTY's business partners were suspected of having COVID-19, the avian flu or swine flu, or other illnesses such as hepatitis A, and other variants of the norovirus or coronavirus, since this could require the Company or business partners to quarantine some or all of such employees or disinfect the restaurant facilities. Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. Because poultry is a menu offering for many of the Company's Concepts, this would likely result in lower revenues and profits to both MTY and franchisee partners. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. MTY could also be adversely affected if government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, impose restrictions on customers via a vaccine passport to dine-in, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect the business and operating results.

Labour is a key factor in the success of the Company. If the Company was unable to attract, motivate and retain a sufficient number of qualified individuals, this could materially disrupt the Company's business and operations and adversely impact its operating results, including the delay of planned restaurant openings, the Company's ability to grow sales at existing restaurants and expand its concepts effectively. 2021 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, the availability of government subsidies and thus creating high employee turnover. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company's network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

The Company's operating results substantially depend upon its ability to obtain frequent deliveries of sufficient quantities of products such as beef, chicken, and other products used in the production of items served and sold to customers. Geopolitical events, such as public health or pandemic outbreaks such as the COVID-19 pandemic, war or hostilities in countries in which our suppliers or operations are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to interruptions in the supply chain. Disruptions in supply chain could impact delivery of food or other supplies to the Company's restaurants. Delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors could disrupt operations or the operations of one or more of our suppliers, or could severely damage or destroy one of more of our stores or distribution centers located in the affected area. These delays or interruptions could impact the availability of certain food and packaging items at the Company's restaurants, including beef, chicken, pork and other core menu products and could require the Company's restaurants to serve a limited menu. The Company's results of operations and those of its franchisees could be adversely affected if its key suppliers or distributors are unable to fulfill their responsibilities and the Company were unable to identify alternative suppliers or distributors in a timely manner or effectively transition the impacted business to new suppliers or distributors. If a disruption of service from any of its key suppliers or distributors were to occur, the Company could experience short-term increases in costs while supply and distribution channels were adjusted and may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable.

Geopolitical events such as the occurrence of war or hostilities between countries, or threat of terrorist activities and the responses to and results of these activities could also adversely impact the operations of the Company or its franchisee network. These events could lead to supply chain interruptions, closures or destruction of restaurants, increases in inflation and labour shortages.

Please refer to the November 30, 2021 Annual Information Form for further discussion on all risks and uncertainties.

ECONOMIC ENVIRONMENT RISK

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's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in certain regions in which it operates. Exposure to health epidemics and pandemics, such as the current COVID-19, as well as other geopolitical events, such as war or hostilities between countries, are risks to the Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks 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; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at February 28, 2022 and November 30, 2021. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

The classification, carrying value and fair value of financial instruments are as follows:

(In thousands $)	**February 28, 2022**		November 30, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,179**	**4,179**	4,238	4,238
Finance lease receivables	**384,463**	**384,463**	399,269	399,269
Financial liabilities				
Long-term debt (1)	**347,256**	**347,256**	357,171	357,189

(1) Excludes contingent consideration on Küto Comptoir à Tartares acquisition and interest in 11554891 Canada Inc., cross currency interest rate swaps, credit facility financing costs and obligation to repurchase 11554891 Canada Inc. partner.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the condensed interim consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

The following methods and assumptions were used to estimate the fair values of each class of financial instrument:

Loans and other receivables and Finance lease receivables – The carrying amount for these financial instruments approximates fair value due to the short-term maturity of these instruments and/or the use of market interest rates.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for similar debt.

Cross currency interest rate swaps

On February 25, 2022, the Company entered into one (November 30, 2021 – three) floating to floating 1-month cross currency interest rate swaps. A fair value of nil was recorded as at February 28, 2022 (November 30, 2021 – nil). The Company has classified this as level 2 in the fair value hierarchy.

	February 28, 2022			November 30, 2021
Receive – Notional	**US$265.5 million**	US$78.9 million	US$180.8 million	US$11.8 million
Receive – Rate	**1.39%**	1.29%	1.29%	1.29%
Pay – Notional	**CA$338.0 million**	CA$100.0 million	CA$230.0 million	CA$15.0 million
Pay – Rate	**1.57%**	1.23%	1.09%	1.38%

Fair value hierarchy	**Level 3**	
(In thousands $)	**February 28, 2022**	November 30, 2021
	$	$
Contingent consideration on Küto Comptoir à Tartares acquisition and interest in 11554891 Canada Inc.	**5,199**	1,961
Non-controlling interest buyback options	**1,608**	1,575
Obligation to repurchase 11554891 Canada Inc. partner	**9,340**	1,416
Financial liabilities	**16,147**	4,952

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at February 28, 2022.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the condensed interim consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the US, which limits the concentration of credit risk.

The credit risk on the Company's loans and other receivables is similar to that of its accounts receivable.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $338.0 million (November 30, 2021 – $345.0 million) of the credit facility was used as at February 28, 2022. A 100 basis points increase in the bank's prime rate would result in additional interest of $3.4 million per annum (November 30, 2021 – $3.5 million) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains its credit facility to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at February 28, 2022, the Company had an authorized revolving credit facility for which the available amount may not exceed $600.0 million (November 30, 2021 – $600.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at February 28, 2022:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	127.3	127.3	127.3	—	—	—
Long-term debt (1)	362.2	363.4	20.1	1.7	—	341.6
Interest on long-term debt (1)	n/a	11.2	2.6	2.6	5.2	0.8
Lease liabilities	458.2	491.1	55.4	55.4	97.6	282.7
Total contractual obligations	**947.7**	**993.0**	**205.4**	**59.7**	**102.8**	**625.1**

(1) *When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.*

NEAR-TERM OUTLOOK

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to adapt to the changes for the well-being and safety of its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may have on its operations, franchisees, partners and service to MTY's customers. Please refer to section "Highlights of Significant Events" for further details on actions taken in response to COVID-19.

Despite the lingering impacts of the pandemic and the obvious obligations to address the related short-term challenges, management's focus is now shifting back to a longer-term growth perspective. Sales are back to pre-pandemic levels for many of the brands and progressing in the right direction for the others. The restaurant industry will remain challenging in the future, with labour shortages and supply chain disruptions being felt across the network, adding to the existing pressure of competing in a market approaching saturation. Management believes however that the brands' continued focus on innovation, product quality, consistency and store design combined with the adjustments made during the pandemic to adjust to new customer expectations positions the network well for the future.

Before the pandemic, MTY's objectives were to generate organic growth while actively seeking potential accretive acquisitions. Those objectives have not changed and remain at the center of MTY's actions. To the extent possible, MTY's teams are focused on helping franchise partners generate positive same store sales, open new locations of existing concepts and ultimately achieve their profitability objectives. The individual success of franchisees is the basis for the success of MTY for the years to come. In the wake of COVID-19, MTY has diversified its sources of revenue by expanding into other sales channels, such as: launching multiple ghost kitchens in existing restaurant locations, thus benefitting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders; and launching new products in the retail division and expanding into new territories, in response to increased consumer spending in grocery stores that has continued throughout the waves of the pandemic.

Given the Company's capital allocation since the onset of the pandemic and the amount of debt that was repaid since, the Company is financially well positioned to seize acquisition opportunities that are presented to management. However, despite its appetite to make acquisitions and grow its network, the Company will remain disciplined in its search for the right acquisition targets, at the right price and with the right synergies.

CONTROLS & PROCEDURES

Disclosure controls and procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P"). The Company's DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized and reported within the time periods specified in securities legislation.

In the first quarter of 2022, MTY did not make any significant changes in, nor take any significant corrective actions regarding internal controls or other factors that could significantly affect such internal controls. The CEO and CFO periodically review the Company's DC&P for effectiveness and conduct an evaluation each quarter. As of the end of the first quarter of 2022, the CEO and CFO were satisfied with the effectiveness of the Company's DC&P.

Internal controls over financial reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, there were no changes to the Company's internal control over financial reporting that occurred during the period beginning on December 1, 2021 and ending on February 28, 2022, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of Controls and Procedures

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its CEO and CFO, does not expect that the control system can prevent or detect all error or fraud. Finally, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies or procedures.

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income
Küto Comptoir à Tartares	1%	0%	1%	0%	0%	1%	2%

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's condensed interim consolidated financial statements. For the period ended February 28, 2022, these SPEs represent less than 0.1% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.1% of the Company's current liabilities, less than 0.1% of non-current liabilities, 0.3% of the Company's revenue and less than 0.1% of the Company's net income.

"*Eric Lefebvre*"

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Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA, CA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

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 US	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
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
Küto Comptoir à Tartares	December 2021	100%	31	—

Definition of non-GAAP measures

Management discloses the following non-GAAP measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following non-GAAP measures can be found in the analysis of the MD&A:

Adjusted EBITDA	Represents net income (loss), excluding income tax, all other income (expenses), interest, depreciation and amortization, and net impairment charges. See reconciliation of adjusted EBITDA to Income (loss) before taxes on page 13.
Free cash flows	Represents the sum total cash flows from operating activities less capital expenditures net of disposals.

Definition of non-GAAP ratios

Management discloses the following non-GAAP ratios as they have been identified as relevant metrics to evaluate the performance of the Company.

The following non-GAAP ratios can be found in the analysis of the MD&A:

Adjusted EBITDA as a % of revenue	Represents adjusted EBITDA divided by revenue.
Free cash flows per diluted share	Represents free cash flows divided by diluted shares.

Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Definition of supplementary financial measures

Management discloses the following supplementary financial measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following supplementary financial measures can be found in the analysis of the MD&A:

Recurring revenue streams	Comprised of royalties and other franchising revenues that are earned on a regular basis in accordance with franchise agreements in place.
Non-controllable expenses	Comprised of government subsidies that are not directly in control of management and royalties paid to third parties.
Controllable expenses	Comprised of wages, professional and consulting services and other office expenses, that are directly in the control of management.
Variance in recurring revenue and expenses	Comprised of recurring revenue streams, controllable expenses, royalties paid to third parties, rent (excluding impact of IFRS 16), corporate store revenue and expenses, food processing, distribution and retail revenue and expenses, promotional fund revenue and expenses.
Nonrecurring non-controllable expenses	Comprised of government subsidies that are not directly in control of management.
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.
Digital sales	Digital sales are sales made by customers through online ordering platforms.

Free cash flows (1) loop to cash flows provided by operating activities

	Three months ended							
(In thousands $)	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**	**February 2022**
Cash flows provided by operating activities	19,207	38,624	44,841	31,307	29,541	46,553	31,898	39,696
Additions to property, plant and equipment	(316)	(1,764)	(998)	(1,213)	(2,301)	(1,248)	(1,677)	(1,149)
Additions to intangible assets	(618)	(63)	(97)	(47)	(156)	(65)	(56)	(1,672)
Proceeds on disposal of assets held for sale	10,536	—	—	—	—	—	—	—
Proceeds on disposal of property, plant and equipment and intangible assets	117	281	164	253	413	361	5,438	95
Free cash flows (1)	**28,926**	**37,078**	**43,910**	**30,300**	**27,497**	**45,601**	**35,603**	**36,970**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

System sales [1] to royalties

	Sales for the three months ended February 28, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	5.8	314.5	320.3	4.6	560.8	565.4	**885.7**
Franchise royalty income as a % of franchise sales	—	5.15%	—	—	5.03%	—	**N/A**
Royalties	—	16.2	—	—	28.2	—	**44.4**

	Sales for the three months ended February 28, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	3.4	216.0	219.4	10.3	531.4	541.7	**761.1**
Franchise royalty income as a % of franchise sales	—	4.81%	—	—	5.02%	—	**N/A**
Royalties	—	10.4	—	—	26.7	—	**37.1**

(1) See section “Definition of supplementary financial measures” found in the Supplemental Information section for definition.