Management's Discussion and Analysis
For the three and six months ended May 31, 2024
Key highlights

- **Franchising segment normalized adjusted EBITDA[1] increased 1% to reach $52.6 million in the quarter, compared to $51.9 million in Q2-23 with normalized adjusted EBITDA as a % of revenue[2] of 52%.**
- **Normalized adjusted EBITDA[1] decreased 1% to $73.7 million in the quarter, compared to $74.6 million in Q2-23.**
- **System sales[3] for the quarter remained relatively stable at $1.5 billion compared to Q2-23.**
- **Cash flows provided by operating activities were $40.6 million compared to $51.9 million in Q2-23, a decrease of $11.3 million mainly attributable to an unfavourable working capital variance during the quarter due to timing of collections and payments of account receivables and payables.**
- **Free cash flows net of lease payments[1] decreased to $24.3 million in the quarter, compared to $29.5 million in Q2-23. Free cash flows net of lease payments per diluted share[2] were $1.01 for the quarter compared to $1.21 in Q2-23.**
- **Net income attributable to owners decreased by 10% at $27.3 million, or $1.13 per diluted share compared to $30.4 million, or $1.24 per diluted share in Q2-23.**
- **Ended the quarter with 7,107 locations compared to 7,116 locations in Q4-23.**
- **Repurchased and cancelled 266,700 shares for a total consideration of $12.8 million in Q2-24.**
- **Long-term debt repayments of $16.3 million for the quarter with net repayments of $77.9 million since Q2-23.**
- **Renewed Normal Course Issuer Bid Program ("NCIB") on June 28, 2024.**
- **Amended revolving credit facility on July 10, 2024 to remove $50.0 million yearly maximum distribution threshold.**
- **Quarterly dividend payment of $0.28 per share on August 15, 2024.**

(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 and six months ended May 31, 2024

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 three and six months ended May 31, 2024 and the audited consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2023.

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") as issued by the International Accounting Standards Board ("IASB") and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2023.

This MD&A was prepared as at July 10, 2024. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR+'s website at www.sedarplus.ca.

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 2024. 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 July 10, 2024 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.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on July 10, 2024. 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 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 July 10, 2024. 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, Tutti Frutti, Taco Time, Country Style, 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, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, Turtle Jack's Muskoka Grill, COOP Wicked Chicken, Küto Comptoir à Tartares, Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound, Champps, Wetzel's Pretzels, Twisted by Wetzel's, Sauce Pizza and Wine, Spice Bros and Cakes N Shakes.

As at May 31, 2024, MTY had 7,107 locations in operation, of which 6,885 were franchised or under operator agreements and the remaining 222 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 trucks or carts. Certain locations also offer catering services. Over the last 45 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.

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 as issued by the IASB. 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.

Non-GAAP measures include:

- Adjusted EBITDA: the Company believes that adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s performance, to prepare operating budgets and to determine components of executive compensation.
- Normalized adjusted EBITDA: the Company believes that normalized adjusted EBITDA is a useful metric for the same reasons as adjusted EBITDA; additionally, the Company believes that normalized adjusted EBITDA provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.
- Free cash flows net of lease payments: the Company believes that free cash flows net of lease payments is a useful metric because it provides the Company with a measure related to decision-making about cash-intensive matters such as capital expenditures, compensation, and potential acquisitions.

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as adjusted EBITDA as a % of revenue; additionally, the Company believes that normalized adjusted EBITDA as a % of revenue provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.
- Free cash flows net of lease payments per diluted share: the Company believes that free cash flows net of lease payments per diluted share is a useful metric because it is used by securities analysts, investors and other interested parties as a measure of the Company’s cash flows that are available to be distributed to debt and equity shareholders, including to pay debt, to pay dividends, and to repurchase shares.

- Debt-to-EBITDA: the Company believes that debt-to-EBITDA is a useful metric because it represents a financial covenant that the Company must be in compliance with and, accordingly, a determining factor in the Company's credit availability.

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.

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**
Revenue	171,540	241,970	286,003	305,219	298,080	280,032	278,644	303,739
Net income attributable to owners	22,435	7,126	18,387	30,359	38,892	16,444	17,305	27,278
Total comprehensive income attributable to owners	47,589	24,934	27,453	32,867	34,906	20,560	14,089	33,796
Net income per share	0.92	0.29	0.75	1.24	1.59	0.67	0.71	1.13
Net income per diluted share	0.92	0.29	0.75	1.24	1.59	0.67	0.71	1.13
Cash flows provided by operating activities	42,228	37,430	33,467	51,860	51,495	47,764	54,178	40,558

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	Quarters ended							
	August 2022	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**
System sales (1 & 2)	1,104.7	1,206.5	1,362.5	1,470.0	1,467.1	1,341.6	1,331.7	1,459.4
# of locations	6,606	6,788	7,128	7,124	7,119	7,116	7,112	7,107
Adjusted EBITDA (3)	48,920	49,876	62,863	74,648	72,870	60,365	59,262	73,198
Normalized adjusted EBITDA (3)	50,592	53,474	63,959	74,648	72,932	60,365	59,535	73,683
Free cash flows net of lease payments (3)	37,256	27,398	15,433	29,547	32,130	33,357	36,922	24,321
Free cash flows net of lease payments per diluted share (4)	1.52	1.12	0.63	1.21	1.31	1.37	1.52	1.01

(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, retail, food processing and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIOD ENDED MAY 31, 2024

Revenue

During the first six months of 2024, the Company's total revenue decreased to $582.4 million, from $591.2 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	May 31, 2024 ($ millions)	May 31, 2023 ($ millions)	Variation
Canada	Franchise operation	71.1	74.7	(5%)
	Corporate stores	20.2	15.8	28%
	Food processing, distribution and retail	72.9	79.8	(9%)
	Promotional funds	21.5	22.2	(3%)
	Intercompany transactions	(0.7)	(0.7)	N/A
Total Canada		185.0	191.8	(4%)
US & International	Franchise operation	122.5	120.9	1%
	Corporate stores	234.9	240.0	(2%)
	Food processing, distribution and retail	1.2	1.3	(8%)
	Promotional funds	39.1	37.9	3%
	Intercompany transactions	(0.3)	(0.7)	N/A
Total US & International		397.4	399.4	(1%)
Total revenue		**582.4**	**591.2**	**(1%)**

Canada revenue analysis:

Revenue from franchise locations in Canada decreased by 5%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first six months of 2023	74.7
Decrease in recurring revenue streams [1]	(2.6)
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Decrease in turnkey, sales of material to franchisees and rent revenues	(1.4)
Other non-material variations	0.1
Revenue, first six months of 2024	71.1

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

During the first six months of 2024, recurring revenue streams decreased by $2.6 million and were tightly correlated with the 2% decrease in system sales compared to the same period last year. Street front and mall locations had the largest impact on the year-over-year decline, contributing to 85% and 16%, respectively, of the Canadian network decrease in system sales.

Franchising revenues also decreased by $1.4 million in turnkey, sales of material to franchisees and rent revenues due primarily to a reduction in turnkey revenues.

Revenue from corporate-owned locations increased by 28% to $20.2 million during the first six months of 2024 due to a net increase in corporate-owned locations year-over-year.

Food processing, distribution and retail revenues decreased by 9% due to lower sales in the retail segment, which are the result of market conditions and the grocers' increased focus on promoting house labels. In the first six months of 2024 the Company sold 167 products in the Canadian retail market irrespective of these constraints.

The promotional fund revenue decrease of 3% is attributable to the decrease 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 1%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first six months of 2023	120.9
Decrease in recurring revenue streams [1]	(0.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.8
Decrease in sales of material and services to franchisees	(0.1)
Increase in gift card breakage income	0.9
Increase due to acquisition	0.8
Impact of variation in foreign exchange rates	0.1
Other non-material variations	(0.6)
Revenue, first six months of 2024	122.5

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

During the first six months, initial franchise fees, renewal fees and transfer fees increased by $0.8 million. The Company also recognized $0.9 million in gift card breakage revenue as well as $0.8 million in revenues from acquisitions due to the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine acquired in December 2022.

Revenue from corporate-owned locations decreased by 2% to $234.9 million during the first six months of 2024 due to a net decrease in corporate-owned locations year-over-year as well as the impact of the decrease of 1% in system sales.

The promotional fund revenue increase of 3% is attributable to the impact of the various contribution rates.

Operating expenses

During the first six months of 2024, operating expenses decreased by 1% to $449.9 million, from $453.7 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	May 31, 2024 ($ millions)	May 31, 2023 ($ millions)	Variation
Canada	Franchise operation	39.7	38.4	3%
	Corporate stores	20.7	15.9	30%
	Food processing, distribution and retail	65.8	71.2	(8%)
	Promotional funds	21.5	22.2	(3%)
	Intercompany transactions	(0.9)	(0.9)	N/A
Total Canada		146.8	146.8	—%
US & International	Franchise operation	58.6	59.0	(1%)
	Corporate stores	205.2	210.3	(2%)
	Food processing, distribution and retail	0.3	0.2	50%
	Promotional funds	39.1	37.9	3%
	Intercompany transactions	(0.1)	(0.5)	N/A
Total US & International		303.1	306.9	(1%)
Total operating expenses		**449.9**	**453.7**	**(1%)**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by 3%. The Canadian subdivision was impacted by several factors listed below:

	(In millions $)
Operating expenses, first six months of 2023	38.4
Decrease in turnkey cost, cost of sale of material and services to franchisees and rent	(0.2)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	1.0
Increase in SAP project implementation costs	0.8
Increase in expected credit loss provision	0.1
Decrease due to impact of IFRS 16 on rent expense	(0.3)
Other non-material variations	(0.1)
Operating expenses, first six months of 2024	39.7

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

Operating expenses increased by $1.3 million mostly due to an increase in controllable expenses, which increased by $1.0 million, primarily due to the impact of newly implemented software licenses, higher annual licensing cost and cybersecurity costs related to additional security measures and the improvement of the efficiency of the Company's existing technology resources and higher wages. The Company has also incurred $0.8 million in SAP implementation costs as part of a long-term strategy improve operational efficiency, have greater scalability and flexibility and increase data-driven decision making.

Expenses from corporate stores increased by $4.8 million compared to the same period last year, partly correlated to the related increase in revenues, and partially due to an increase in wages and supply chain costs due to inflation.

The decrease in food processing, distribution and retail expenses as well as the variation in promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by 1%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, first six months of 2023	59.0
Increase in non-controllable expenses [(1)]	0.1
Decrease in cost of sale of material and services to franchisees and rent	(0.4)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	0.7
Decrease in expected credit loss provision	(0.3)
Increase due to acquisition	0.1
Decrease due to transaction costs related to acquisitions	(1.1)
Increase due to impact of IFRS 16 on rent expense	0.1
Impact of variation in foreign exchange rates	0.4
Operating expenses, first six months of 2024	58.6

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

Operating expenses for franchised locations decreased by $0.4 million during the first six months, mainly due to a decrease of $1.1 million in acquisition related transaction costs, lower variable rent costs and lower expected credit loss provisions. This was partially offset by an increase of $0.7 million in controllable expenses. Controllable expenses increased due mostly to higher professional and consulting fees, which were the results of higher litigation provisions in 2024 compared to 2023 and continued inflationary pressures on costs.

Expenses from corporate stores decreased by $5.1 million compared to the same period last year, partly correlated to the related decrease in revenues as well as better cost management.

The variation of promotional funds expenses was tightly correlated to the related revenues.

Segment profit, Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]

Six-month period ended May 31, 2024			
(In millions $)	Canada	US & International	Total
Revenue	185.0	397.4	582.4
Operating expenses	146.8	303.1	449.9
Segment profit and Adjusted EBITDA [(1)]	38.2	94.3	132.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	21%	24%	23%
SAP project implementation costs [(3)]	0.8	—	0.8
Normalized adjusted EBITDA [(1)]	39.0	94.3	133.3
Normalized adjusted EBITDA as a % of Revenue [(2)]	21%	24%	23%

Six-month period ended May 31, 2023			
(In millions $)	Canada	US & International	Total
Revenue	191.8	399.4	591.2
Operating expenses	146.8	306.9	453.7
Segment profit and Adjusted EBITDA [(1)]	45.0	92.5	137.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%
Transaction costs related to acquisitions [(4)]	—	1.1	1.1
Normalized adjusted EBITDA [(1)]	45.0	93.6	138.6
Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%

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

Six-month period ended May 31, 2024						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	193.6	255.1	74.1	60.6	(1.0)	582.4
Operating expenses	98.3	225.9	66.1	60.6	(1.0)	449.9
Segment profit and Adjusted EBITDA [(1)]	95.3	29.2	8.0	—	—	132.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	49%	11%	11%	N/A	N/A	23%
SAP project implementation costs [(3)]	0.8	—	—	—	—	0.8
Normalized adjusted EBITDA [(1)]	96.1	29.2	8.0	—	—	133.3
Normalized adjusted EBITDA as a % of Revenue [(2)]	50%	11%	11%	N/A	N/A	23%

Six-month period ended May 31, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	195.6	255.8	81.1	60.1	(1.4)	591.2
Operating expenses	97.4	226.2	71.4	60.1	(1.4)	453.7
Segment profit and Adjusted EBITDA [(1)]	98.2	29.6	9.7	—	—	137.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	50%	12%	12%	N/A	N/A	23%
Transaction costs related to acquisitions [(4)]	1.1	—	—	—	—	1.1
Normalized adjusted EBITDA [(1)]	99.3	29.6	9.7	—	—	138.6
Normalized adjusted EBITDA as a % of Revenue [(2)]	51%	12%	12%	N/A	N/A	23%

(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) *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the condensed interim consolidated financial statements.*
(4) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the condensed interim consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, first six months of 2023	45.0	92.5	137.5
Variance in recurring revenues and expenses [(1)]	(6.0)	(2.6)	(8.6)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	(1.5)	0.2	(1.3)
Variance in initial franchise fees, renewal fees and transfer fees	0.3	0.8	1.1
Variance in expected credit loss provision	(0.1)	0.3	0.2
Variance due to acquisitions	—	1.2	1.2
Variance due to transaction costs related to acquisitions	—	1.1	1.1
Variance due to impact of IFRS 16 on rent revenue & expense	0.4	0.9	1.3
Variance in gift card breakage	—	0.9	0.9
Impact of variation in foreign exchange rates	—	(0.6)	(0.6)
Other non-material variations	0.1	(0.4)	(0.3)
Segment profit, first six months of 2024	38.2	94.3	132.5
Normalized adjusted EBITDA [(2)], first six months of 2023	45.0	93.6	138.6
Variances in segment profit	(6.8)	1.8	(5.0)
Variance due to SAP project implementation costs	0.8	—	0.8
Variances in transaction costs related to acquisitions	—	(1.1)	(1.1)
Normalized adjusted EBITDA [(2)], first six months of 2024	39.0	94.3	133.3

(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 for the six-month period ended May 31, 2024 was $132.5 million, a decrease of 4% compared to the prior year, while normalized adjusted EBITDA was $133.3 million, a decrease of 4% compared to the prior year. Canada contributed 29% of total normalized adjusted EBITDA and an decrease of 13% or $6.0 million compared to the prior year, while the US & International normalized adjusted EBITDA increased by 1%. The decrease was primarily impacted by the decrease in recurring revenue streams, which were the result of lower system sales.

Calculation of Adjusted EBITDA [1] and Normalized adjusted EBITDA [1]

(In thousands $)	**Period ended May 31, 2024**	**Period ended May 31, 2023**
Income before taxes	49,163	53,843
Depreciation – property, plant and equipment and right-of-use assets	29,642	28,728
Amortization – intangible assets	15,683	17,847
Interest on long-term debt	23,969	26,912
Net interest expense on leases	5,608	5,043
Impairment charge – right-of-use assets	114	106
Impairment charge – property, plant and equipment and intangible assets	5,396	—
Unrealized and realized foreign exchange loss	2,853	3,578
Interest income	(272)	(619)
Loss on de-recognition/lease modification of lease liabilities	171	240
Loss on disposal of property, plant and equipment and intangible assets	80	994
Revaluation of financial liabilities and derivatives recorded at fair value	(659)	839
Restructuring	843	—
Gain on extinguishment of debt	(131)	—
Adjusted EBITDA	**132,460**	**137,511**
SAP project implementation costs and transaction costs related to acquisitions [2 & 3]	758	1,096
Normalized adjusted EBITDA	**133,218**	**138,607**

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

(2) SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the condensed interim consolidated financial statements.

(3) Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the condensed interim consolidated financial statements.

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $0.9 million during the first six months of 2024, primarily as a result of the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023. Depreciation was taken for the full quarter in 2024 compared to a partial quarter in 2023 on approximately 51 corporate stores as well as the right-of-use assets associated with those locations.

Amortization of intangible assets decreased by $2.2 million during the first six months of 2024 as a result of the revaluation of the preliminary purchase price allocations done in 2023.

Interest on long-term debt decreased by $2.9 million as a result of the Company entering into fixed interest rate swaps which have resulted in savings of US$2.9 million (CAD$4.0 million) during the first six months of 2024 compared to $0.6 million in the same period last year. The Company has also repaid $77.9 million since May 2023 resulting in lower interest despite the rise in interest rates in 2023.

During the six-month period ended May 31, 2024, the Company recognized impairment charges of $4.1 million on its property, plant and equipment, primarily related to US corporate locations and one Canadian corporate location (2023 - nil), and $1.3 million on its intangible assets, primarily related to the trademark for one of its Canadian brands (2023 - nil).

A weaker Canadian dollar relative to the US dollar resulted in a loss of $2.9 million in the first six months of 2024 compared to a loss of $3.6 million in the same period last year.

The Company has incurred restructuring costs of $0.8 million related to severance packages accrued and paid during the first six months of 2024, as a result of the reduction in senior management positions in the US and international segment.

Net income

For the six months ended May 31, 2024, a net income attributable to owners of $44.6 million was recorded, or $1.84 per share ($1.84 per diluted share) compared to a net income attributable to owners of $48.7 million or $2.00 per share ($1.99 per diluted share) last year. Net income attributable to owners was mostly impacted by the lower normalized adjusted EBITDA, as described previously, partially offset by fluctuations in other income and expenses as described above in section "Other income and expenses" as well as lower income taxes.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2024

Revenue

During the second quarter of 2024, the Company's total revenue decreased to $303.7 million, from $305.2 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	May 31, 2024 ($ millions)	May 31, 2023 ($ millions)	Variation
Canada	Franchise operation	35.9	36.9	(3%)
	Corporate stores	11.8	8.2	44%
	Food processing, distribution and retail	37.8	41.6	(9%)
	Promotional funds	11.1	11.6	(4%)
	Intercompany transactions	(0.3)	(0.4)	N/A
Total Canada		96.3	97.9	(2%)
US & International	Franchise operation	65.0	63.1	3%
	Corporate stores	121.5	125.1	(3%)
	Food processing, distribution and retail	0.7	0.1	600%
	Promotional funds	20.3	19.3	5%
	Intercompany transactions	(0.1)	(0.3)	N/A
Total US & International		207.4	207.3	—%
Total revenue		**303.7**	**305.2**	**—%**

Canada revenue analysis:

Revenue from franchise locations in Canada decreased by 3%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, second quarter of 2023	36.9
Decrease in recurring revenue streams [(1)]	(1.2)
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	0.1
Other non-material variations	(0.1)
Revenue, second quarter of 2024	35.9

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

During the second quarter of 2024, recurring revenue streams decreased by $1.2 million and were tightly correlated with the 3% decrease in system sales compared to the same period last year. Street front locations and mall locations had the largest impact on the year-over-year decline, contributing to 76% and 22%, respectively, of the Canadian network decrease in system sales.

Revenue from corporate-owned locations increased by 44% to $11.8 million during the quarter due to a due to a net increase in corporate-owned locations year-over-year.

Food processing, distribution and retail revenues decreased by 9% due to lower sales in the retail segment, which are the result of market conditions and grocers' increased focus on promoting house labels. In the second quarter of 2024, however, the Company sold 161 products in the Canadian retail market (2023 – 174 products) irrespective of these constraints.

The promotional fund revenue decreased by 4% which is inline with the decrease in recurring revenue streams.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 3%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, second quarter of 2023	63.1
Increase in recurring revenue streams [(1)]	2.3
Increase in initial franchise fees, renewal fees and transfer fees	0.1
Decrease in sales of material and services to franchisees	(0.9)
Increase in gift card breakage income	0.5
Impact of variation in foreign exchange rates	0.3
Other non-material variations	(0.4)
Revenue, second quarter of 2024	65.0

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

The recurring revenue streams increased by $2.3 million due to an increase in organic system sales of 0.3% compared to the same period last year.

Revenue from corporate-owned locations decreased by 3% to $121.5 million during the quarter due to a net decrease in corporate-owned locations year-over-year.

The increase in food processing, distribution and retail revenue is mostly due to the launch of the Cold Stone creamer in-house label product after the termination of the licensing agreement in the first quarter of 2023.

The promotional fund revenue increased by 5% which is inline with the increase in recurring revenue streams.

Operating expenses

During the second quarter of 2024, operating expenses decreased by less than 1% to $230.5 million, from $230.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**May 31, 2024 ($ millions)**	**May 31, 2023 ($ millions)**	**Variation**
Canada	Franchise operation	20.3	19.0	7%
	Corporate stores	11.8	8.1	46%
	Food processing, distribution and retail	34.0	37.1	(8%)
	Promotional funds	11.1	11.6	(4%)
	Intercompany transactions	(0.4)	(0.5)	N/A
Total Canada		76.8	75.3	2%
US & International	Franchise operation	28.5	29.1	(2%)
	Corporate stores	104.7	107.0	(2%)
	Food processing, distribution and retail	0.2	0.1	100%
	Promotional funds	20.3	19.3	5%
	Intercompany transactions	—	(0.2)	N/A
Total US & International		153.7	155.3	(1%)
Total operating expenses		**230.5**	**230.6**	**—%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $1.3 million, due to several factors listed below:

	(In millions $)
Operating expenses, second quarter of 2023	19.0
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	1.2
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	0.1
Increase in SAP project implementation costs	0.5
Decrease in expected credit loss provision	(0.1)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(0.4)
Operating expenses, second quarter of 2024	20.3

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

Turnkey, cost of sales of material and rent costs increased by $1.2 million compared to the same period last year primarily due to higher rental provisions and cost of goods related to turnkey projects. The Company also incurred $0.5 million in SAP implementation costs as part of a long-term strategy improve operational efficiency, have greater scalability and flexibility and increase data-driven decision making.

Expenses from corporate stores increased by $3.7 million compared to the same period last year primarily due to a net increase in corporate-owned locations year-over-year.and in part due to higher wages and supply chain costs due to inflation.

The decrease in food processing, distribution and retail costs as well as the variation in promotional funds expense is in line with the decline in revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, second quarter of 2023	29.1
Decrease in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	(0.8)
Increase due to impact of IFRS 16 on rent expense	0.1
Impact of variation in foreign exchange rates	0.2
Other non-material variations	(0.1)
Operating expenses, second quarter of 2024	28.5

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

Operating expenses for franchise locations decreased by $0.6 million during the second quarter of 2024, mainly due to a decrease of $0.8 million in controllable expenses. A decrease in consulting and professional fees was the main cause of the improvement in spend, resulting primarily from in sourcing of services that had historically been outsourced.

Corporate store expenses decreased to $104.7 million, from $107.0 million compared to the same period last year, partly correlated to the related decrease in revenues as well as better cost management.

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

Segment profit, Adjusted EBITDA (1) and Normalized adjusted EBITDA (1)

Three-month period ended May 31, 2024			
(In millions $)	Canada	US & International	Total
Revenue	96.3	207.4	303.7
Operating expenses	76.8	153.7	230.5
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA (1)	19.5	53.7	73.2
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	20%	26%	24%
SAP project implementation costs (3)	0.5	—	0.5
Normalized adjusted EBITDA (1)	20.0	53.7	73.7
Normalized adjusted EBITDA as a % of Revenue (2)	21%	26%	24%

Three-month period ended May 31, 2023			
(In millions $)	Canada	US & International	Total
Revenue	97.9	207.3	305.2
Operating expenses	75.3	155.3	230.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA (1)	22.6	52.0	74.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	23%	25%	24%

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

Three-month period ended May 31, 2024						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	100.9	133.3	38.5	31.4	(0.4)	303.7
Operating expenses	48.8	116.5	34.2	31.4	(0.4)	230.5
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA (1)	52.1	16.8	4.3	—	—	73.2
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	52%	13%	11%	N/A	N/A	24%
SAP project implementation costs (3)	0.5	—	—	—	—	0.5
Normalized adjusted EBITDA (1)	52.6	16.8	4.3	—	—	73.7
Normalized adjusted EBITDA as a % of Revenue (2)	52%	13%	11%	N/A	N/A	24%

Three-month period ended May 31, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	100.0	133.3	41.7	30.9	(0.7)	305.2
Operating expenses	48.1	115.1	37.2	30.9	(0.7)	230.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA [(1)]	51.9	18.2	4.5	—	—	74.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	52%	14%	11%	N/A	N/A	24%

(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) *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the condensed interim consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, second quarter of 2023	22.6	52.0	74.6
Variance in recurring revenues and expenses [(1)]	(2.6)	1.9	(0.7)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	(1.4)	(0.3)	(1.7)
Variance in initial franchise fees, renewal fees and transfer fees	0.2	0.1	0.3
Variance in expected credit loss provision	0.1	—	0.1
Variance due to impact of IFRS 16 on rent revenue & expense	0.5	0.3	0.8
Variance in gift card breakage	—	0.5	0.5
Impact of variation in foreign exchange rates	—	(0.1)	(0.1)
Other non-material variations	0.1	(0.7)	(0.6)
Segment profit, second quarter of 2024	19.5	53.7	73.2
Normalized adjusted EBITDA [(2)], second quarter of 2023	22.6	52.0	74.6
Variances in segment profit	(3.1)	1.7	(1.4)
Variances due to SAP project implementation costs	0.5	—	0.5
Normalized adjusted EBITDA [(2)], second quarter of 2024	20.0	53.7	73.7

(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 for the three-month period ended May 31, 2024 was $73.2 million, a decrease of 2% compared to the same period last year, while normalized adjusted EBITDA was $73.7 million, a decrease of 1% compared to the prior year. Canada contributed 27% of total normalized adjusted EBITDA and a decrease of 12% or $2.6 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by 3% or $1.7 million.The fluctuation in normalized adjusted EBITDA was primarily impacted by the changes in recurring revenue streams.

Calculation of Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]

(In thousands $)	Quarter ended May 31, 2024	Quarter ended May 31, 2023
Income before taxes	28,966	34,443
Depreciation – property, plant and equipment and right-of-use assets	14,982	15,602
Amortization – intangible assets	8,088	8,911
Interest on long-term debt	11,898	13,455
Net interest expense on leases	2,815	2,591
Reversal of impairment charge – right-of-use assets	—	(30)
Impairment charge – property, plant and equipment	3,176	—
Unrealized and realized foreign exchange loss (gain)	3,366	(329)
Interest income	(123)	(428)
Loss on de-recognition/lease modification of lease liabilities	251	134
Loss (gain) on disposal of property, plant and equipment and intangible assets	34	(133)
Revaluation of financial liabilities and derivatives recorded at fair value	(611)	432
Restructuring	356	—
Adjusted EBITDA	**73,198**	**74,648**
SAP project implementation costs [(2)]	485	—
Normalized adjusted EBITDA	**73,683**	**74,648**

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

(2) *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the condensed interim consolidated financial statements*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets slightly decreased compared to prior year mainly due to the shift and timing of the acquisition and sale of corporately-owned locations.

Amortization of intangible assets decreased by $0.8 million during the second quarter of 2024 as a result of the revaluation of the preliminary purchase price allocations done in 2023.

Interest on long-term debt decreased by $1.6 million as a result of entering into fixed rate interest swaps which have resulted in savings of US$1.5 million (CAD$2.0 million) this quarter compared to US$0.6 million in the same period last year. The Company has also made net repayments of $77.9 million since May 2023 resulting in lower interest despite the rise in interest rates in 2023.

During the second quarter of 2024, the Company recognized impairment charges of $3.2 million on its property, plant and equipment, primarily related to US corporate locations and one Canadian corporate location (2023 - nil).

During the second quarter of 2024, the Company recorded a loss of $3.4 million as a result of a weaker Canadian dollar relative to the US dollar.

The Company has incurred restructuring costs of $0.4 million related to severance packages accrued and paid during the quarter, as a result of the reduction in senior management positions in the US and international segment.

Net income

For the three months ended May 31, 2024, a net income attributable to owners of $27.3 million was recorded, or $1.13 per share ($1.13 per diluted share) compared to $30.4 million or $1.24 per share ($1.24 per diluted share) last year. The decrease is primarily attributable to lower normalized adjusted EBITDA as described previously and fluctuations in other revenues and expenses as described above in section "Other income and expenses".

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	140.6	—	—	—	—	—	—
Long-term debt [(1)]	9.8	—	—	725.6	—	—	—
Interest on long-term debt [(2, 3 & 4)]	24.1	24.1	49.3	42.2	—	—	—
Net lease liabilities [(5)]	20.8	20.8	38.4	34.5	30.6	25.7	67.0
Total contractual obligations	**195.3**	**44.9**	**87.7**	**802.3**	**30.6**	**25.7**	**67.0**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes non-interest-bearing contract cancellation fees and holdbacks on acquisitions, contingent considerations on acquisition and 11554891 Canada Inc., non-controlling interest option, obligation to repurchase 11554891 Canada Inc. partner and revolving credit facility payable to a syndicate of lenders.*

(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 of swap arrangement interest revenue.*

(4) *Revolving credit facility was extended on March 15, 2024 for a period of 3 years and will mature on March 15, 2027.*

(5) *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 May 31, 2024, the amount held in cash totaled $52.3 million, a decrease of $6.6 million since the end of the 2023 fiscal period.

During the three and six months ended May 31, 2024, MTY paid $6.7 million and $13.6 million, respectively (2023 – $6.1 million and $12.2 million, respectively) in dividends to its shareholders and repurchased and cancelled 266,700 and 337,500 of its shares, respectively (2023 – nil) for $12.8 million and $16.4 million (2023 – nil) through its NCIB.

During the six months ended May 31, 2024, cash flows generated by operating activities were $94.7 million, compared to $85.3 million in the same period last year. The increase is mainly attributable to fluctuations in non-cash working capital items, including a decrease in accounts payable and accounts receivable. The decrease of accounts payable and receivable is mainly due to the use and sale of gift cards during the holiday season. Excluding the variations in non-cash working capital items, income taxes, interest paid and other, operations generated $132.2 million, compared to $138.6 million in the same period last year.

The Company's revolving credit facility payable to a syndicate of lenders has an authorized amount of $900.0 million (November 30, 2023 – $900.0 million), an accordion feature of $300.0 million (November 30, 2023 – $300.0 million) and matures on March 15, 2027. As at May 31, 2024, CAD$8.0 million and US$526.2 million was drawn from the revolving credit facility (November 30, 2023 – US$558.0 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.

The revolving credit facility is repayable without penalty with the balance due on the date of maturity March 15, 2027.

As at May 31, 2024, the Company was in compliance with the covenants of the credit agreement.

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

LOCATION INFORMATION

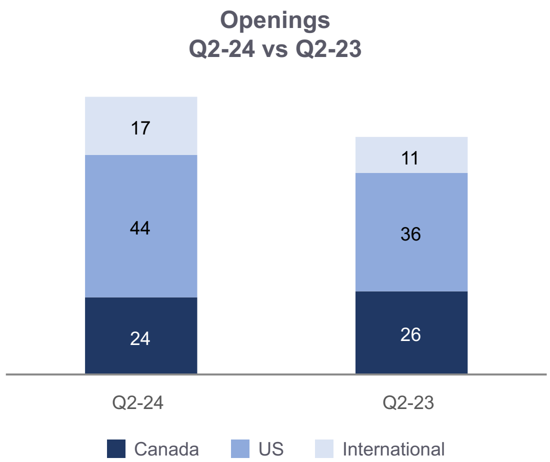
MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional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

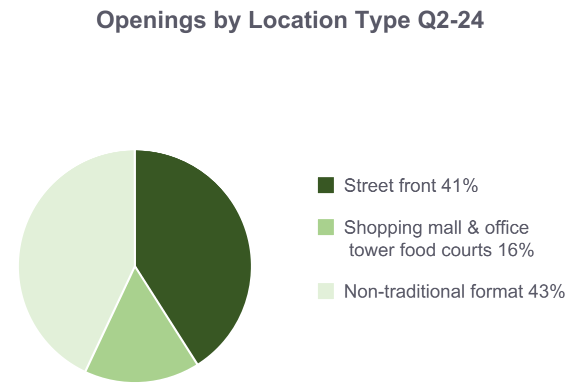
Number of locations

	Three months ended May 31,		**Six months ended May 31,**	
	2024	2023	**2024**	2023
Franchises, beginning of the period	**6,890**	6,895	**6,897**	6,589
Corporate-owned, beginning of the period				
Canada	**43**	41	**43**	41
US	**179**	192	**176**	158
Total, beginning of the period	**7,112**	7,128	**7,116**	6,788
Opened during the period	**85**	73	**160**	149
Closed during the period	**(90)**	(77)	**(169)**	(192)
Acquired during the period	**—**	—	**—**	379
Total, end of the period	**7,107**	7,124	**7,107**	7,124
Franchises, end of the period			**6,885**	6,900
Corporate-owned, end of the period				
Canada			**47**	44
US			**175**	180
Total, end of the period			**7,107**	7,124

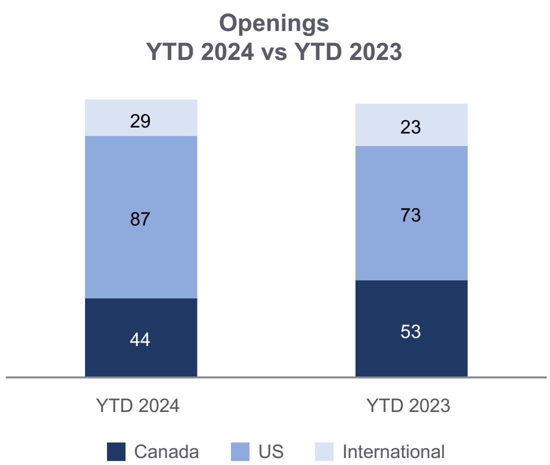
Openings

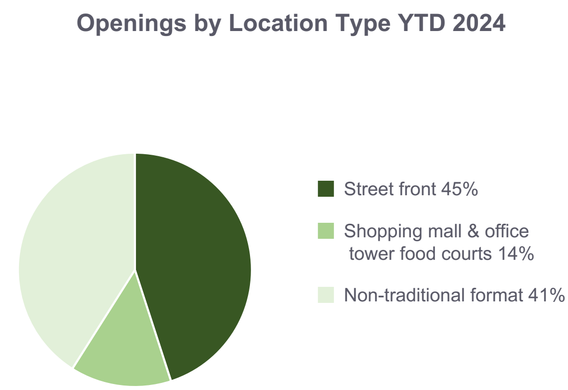
During the second quarter of 2024, the Company's network opened 85 locations (2023 – 73 locations). The breakdown by geographical location and by location type is as follows:





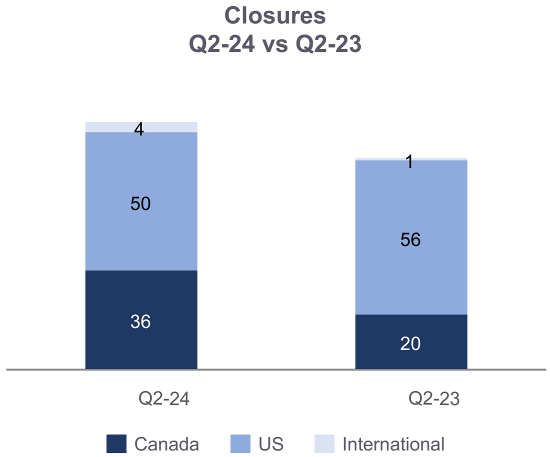
During the first six months of 2024, the Company's network opened 160 locations (2023 – 149 locations). The breakdown by geographical location and by location type is as follows:

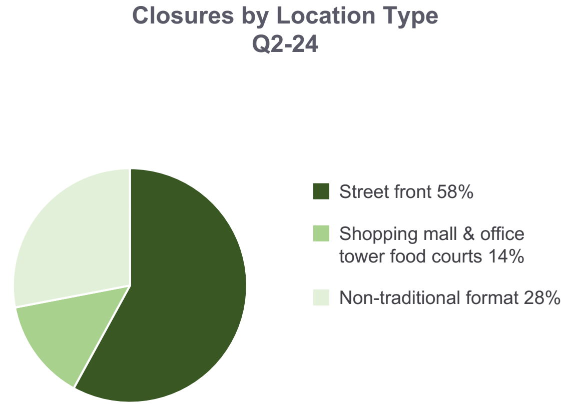




Closures

During the second quarter of 2024, the Company's network closed 90 locations (2023 – 77 locations). The breakdown by geographical location and by location type is as follows:

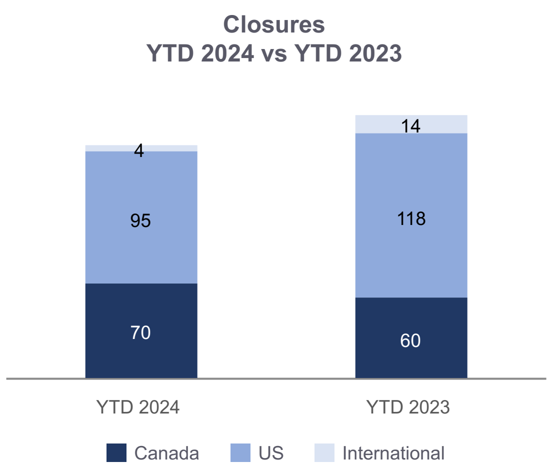


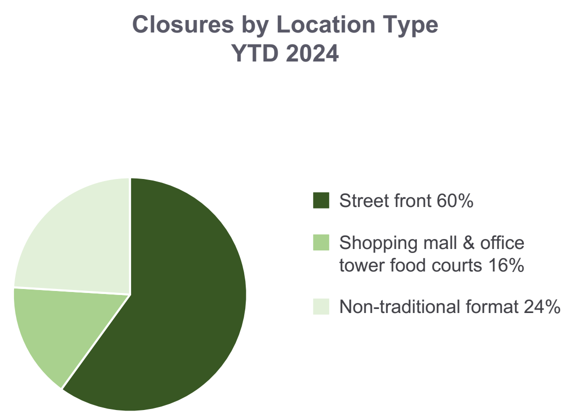


The average monthly sales of a newly opened location compared to a closed location by type is as follows:

Location type	*(in thousands $)*	New opening	Closure
Street front		58.0	54.1
Shopping mall & office tower food courts		33.4	32.2
Non-traditional format		53.0	14.5

During the first six months of 2024, the Company's network closed 169 locations (2023 – 192 locations). The breakdown by geographical location and by location type is as follows:





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

	% of location count		% of system sales Six months ended	
	May 31,		May 31,	
Location type	**2024**	2023	**2024**	2023
Shopping mall & office tower food courts	**16%**	16%	**15%**	15%
Street front	**62%**	63%	**76%**	77%
Non-traditional format	**22%**	21%	**9%**	8%

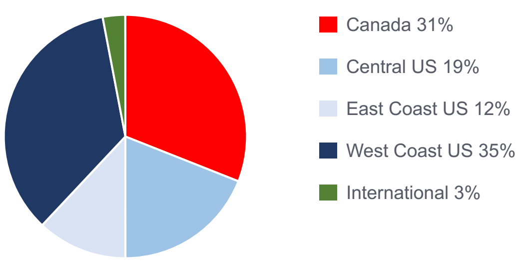
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Six months ended	
	May 31,		May 31,	
Geographical location	**2024**	2023	**2024**	2023
Canada	**35%**	35%	**31%**	31%
US	**58%**	58%	**66%**	66%
International	**7%**	7%	**3%**	3%

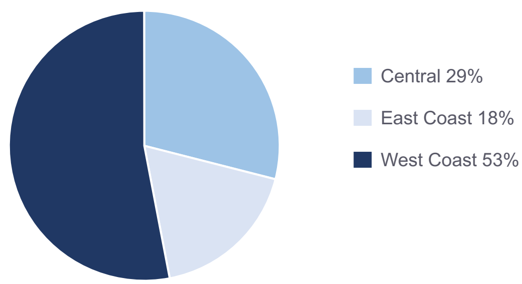
The territories that had the largest portions of total system sales were Quebec (Canada) with 17%, California (US) with 12%, Ontario (Canada) with 7%, Arizona (US) with 5%, Washington (US), Florida and Oregon (US) with 4% each.

The geographical distribution of system sales is as follows:

% of total system sales



% of total US system sales



The breakdown by the types of concepts for MTY's locations and system sales is as follows:

	% of location count		% of system sales Six months ended	
	May 31,		May 31,	
Concept type	**2024**	2023	**2024**	2023
Quick service restaurant	**79%**	80%	**62%**	61%
Fast casual	**11%**	10%	**9%**	10%
Casual dining	**10%**	10%	**29%**	29%

System sales

During the three and six-month periods ended May 31, 2024, MTY's network generated $1,459.4 million and $2,791.1 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2024	415.9	878.5	37.3	**1,331.7**
First quarter of 2023	423.9	901.2	37.4	**1,362.5**
Variance	(2%)	(3%)	—%	**(2%)**
Second quarter of 2024	436.3	983.6	39.5	**1,459.4**
Second quarter of 2023	450.1	980.1	39.8	**1,470.0**
Variance	(3%)	—%	(1%)	**(1%)**
Year-to-date 2024	852.2	1,862.1	76.8	**2,791.1**
Year-to-date 2023	874.0	1,881.3	77.2	**2,832.5**
Variance	(2%)	(1%)	(1%)	**(1%)**

The overall movement in sales is distributed as follows:

	Three-month sales ended May 31				Six-month sales ended May 31			
(millions of $)	Canada	US	International	**TOTAL**	Canada	US	International	**TOTAL**
Reported sales – 2023	450.1	980.1	39.8	**1,470.0**	874.0	1,881.3	77.2	**2,832.5**
Net increase in sales generated by concepts acquired during the last 24 months	—	—	—	**—**	0.1	8.3	0.1	**8.5**
Net variance in system sales	(13.8)	(0.7)	(0.5)	**(15.0)**	(21.9)	(29.1)	(0.6)	**(51.6)**
Cumulative impact of foreign exchange variation	—	4.2	0.2	**4.4**	—	1.6	0.1	**1.7**
Reported sales – 2024	436.3	983.6	39.5	**1,459.4**	852.2	1,862.1	76.8	**2,791.1**

System sales for the three-month period ended May 31, 2024 decreased by 1% compared to the same period last year. Canada contributed to most of the decrease, with a decline of $13.8 million, or 3%, while the US saw an improvement of $3.5 million. In Canada, the fast casual concepts drove a large portion of the decrease, representing 70% of the drop. Removing the impact of foreign exchange, the US saw a slight decline of $0.7 million mostly from the casual dining segment, which was offset by the impact of a strong US dollar. Major brands in the US such as Cold Stone, Wetzel Pretzel's and SweetFrog continued to outperform prior year.

For the six-month period ended May 31, 2024 system sales were down 1% compared to 2023. Excluding the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine, system sales for the network decreased by 2%, with the US, Canada and International regions contributing to 55%, 44% and 1%, respectively.

Papa Murphy's and Cold Stone Creamery continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 19% and 16% respectively of the total sales of MTY's network. Wetzel's Pretzels, Famous Dave's and Village Inn 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.

Same-Store Sales [(1)]

During the quarter ended May 31, 2024, same-store sales decreased by 2% over the last year. By region, same-store sales were broken down as follows for the last eight quarters:

	Three months ended							
Region	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**
Canada	12.0 %	15.0 %	18.1 %	6.1 %	3.4 %	(1.2)%	(2.7)%	(3.6)%
US	1.6 %	0.3 %	5.2 %	3.6 %	2.0 %	(0.5)%	(3.6)%	(1.0)%
International	11.8 %	(8.4)%	(3.0)%	1.7 %	(0.3)%	(3.8)%	(7.4)%	(8.1)%
Total	**6.3 %**	**6.8 %**	**10.1 %**	**4.7 %**	**2.6 %**	**(0.9)%**	**(3.3)%**	**(2.1)%**

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

In the second quarter of 2024, same-store sales were negative in all geographical segments. The decline is consistent with the decline seen in system sales and is mostly attributable to the current economic situation, including inflationary pressures.

By restaurant type [(1)], same-store sales were broken down as follows for the three and six months ended May 31, 2024 and 2023:

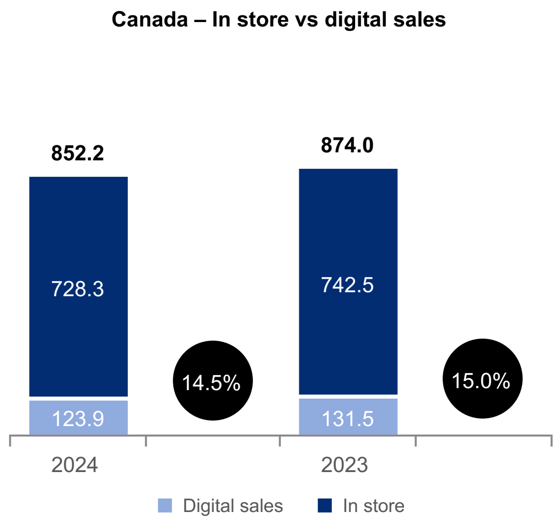
	Three months ended May 31		Six months ended May 31	
	2024	2023	**2024**	2023
Quick service restaurant	**(2.1)%**	13.7 %	**(0.7)%**	18.9 %
Fast casual	**(7.2)%**	1.2 %	**(6.6)%**	2.9 %
Casual	**(1.7)%**	5.8 %	**(2.1)%**	13.5 %
Canada	**(3.6)%**	6.4 %	**(3.1)%**	11.2 %
Quick service restaurant	**0.3 %**	4.0 %	**(1.4)%**	4.7 %
Fast casual	**0.9 %**	1.8 %	**0.1 %**	3.2 %
Casual	**(5.1)%**	(1.1)%	**(4.8)%**	2.5 %
US	**(1.0)%**	3.7 %	**(2.2)%**	4.5 %
Quick service restaurant	**(8.6)%**	(0.7)%	**(8.4)%**	(2.3)%
Fast casual	**(1.2)%**	12.5 %	**0.5 %**	5.5 %
Casual	**(7.9)%**	13.5 %	**(9.4)%**	12.0 %
International	**(8.1)%**	0.3 %	**(7.9)%**	(1.5)%

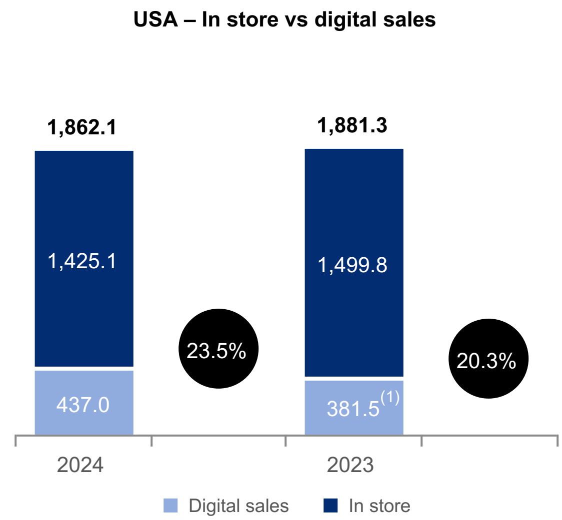
(1) *Refer to the Supplemental Information section for a list of brands included in each category.*

In the second quarter of 2024, quick service restaurant and fast casual restaurant have remained strong in the US and reported same-store sales growth of 0.3% and 0.9% for the three-month period ended May 31, 2024. The brands in this division are a great option for customers looking for attractive but affordable menu options during economic uncertainty. 2023 same-store sales were exceptionally high due to the pandemic recovery.

Digital sales

System sales versus digital sales breakdown is as follows for the six months ended May 31, 2024 and 2023:

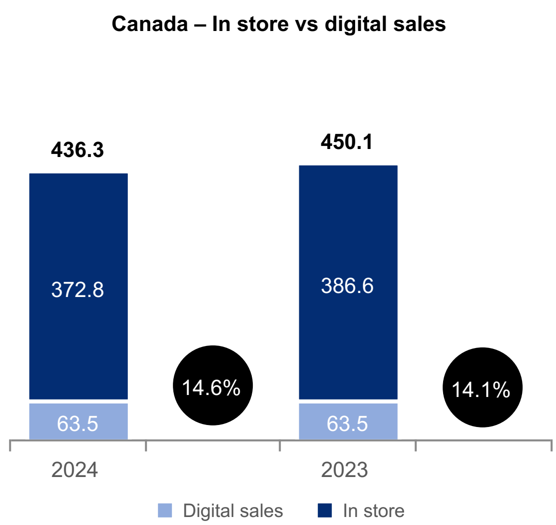


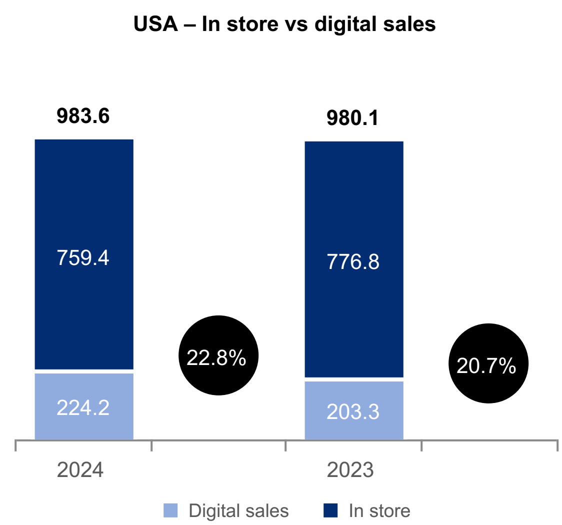


(1) US digital sales of the first quarter of 2023 missing digital sales of approximately 200 locations due to unavailability of information.

Digital sales for the six-month period ended May 31, 2024 increased by 9% compared to the same period last year, including the impact of foreign exchange rates, from $513.0 million to $560.9 million, and represented 21% of total sales, compared to 19% in the same period last year. Excluding the impact of foreign exchange and acquisitions, digital sales grew by 7% in the period. The US saw an increase of $55.5 million or 15% compared to prior year mainly as a result of shifts in consumer behaviour as MTY continues to invest and improve the online experience. Canadian digital sales saw a decrease of 6% or $7.6 million during the six-month period mainly due to the overall decrease in system sales. The casual dining segment had the largest impact on Canada with online orders decreasing by 13%.

System sales versus digital sales breakdown is as follows for the three months ended May 31, 2024 and 2023:





Digital sales for the second quarter of 2024 increased by 8% compared to the same period last year, including the impact of foreign exchange rates, from $266.8 million to $287.7 million, and represented 20% of total sales, compared to 19% in the same period last year. Excluding the impact of foreign exchange, digital sales grew by 7% in the quarter. Canadian digital sales are in line with the same period last year, while US digital sales saw a growth of $20.9 million.

First party online sales in Canada and the US represented 24% and 58%, respectively, of total digital sales for the quarter compared to 26% and 61% in 2023.

CAPITAL STOCK INFORMATION

Stock options

As at May 31, 2024, there were 440,000 options outstanding and 159,998 that were exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2023 to May 31, 2024, MTY's share price fluctuated between $43.34 and $59.80. On May 31, 2024, MTY's shares closed at $44.00.

Capital stock

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

As at July 10, 2024, the Company's issued and outstanding capital stock consisted of 23,905,461 shares (November 30, 2023 – 24,332,661) and 440,000 granted and outstanding stock options (November 30, 2023 – 440,000). During the three and six months ended May 31, 2024, MTY repurchased 266,700 and 337,500 shares, respectively, (2023 – nil) for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2024, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2024 and will end on July 2, 2025 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 1,196,513 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 and six-month periods ended May 31, 2024, the Company repurchased and cancelled a total of 266,700 and 337,500 common shares, respectively, (2023 – nil) under the current NCIB, at a weighted average price of $48.01 and $48.47 per common share, respectively, (2023 – nil), for a total consideration of $12.8 million and $16.4 million, respectively, (2023 – nil). An excess of $9.5 million and $12.2 million, respectively, (2023 – nil) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENT

Sale of fixed interest rate swap

On June 5, 2024, the Company sold its US$200.0 million 3-year SOFR fixed interest rate swap for a total consideration of $4.8 million.

Revolving credit facility amendment

On July 10, 2024, the Company amended its existing revolving credit facility and removed the $50,0 million maximum distribution covenant. The new agreement no longer contains a maximum threshold, however imposes limitations on distributions when the debt to EBITDA ratio is above 3.50:1:00.

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.

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.

The provisions include $3.8 million (November 30, 2023 – $4.7 million) for litigations, disputes and other contingencies, representing management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position, as well as self-insured liabilities related to health and workers' compensation and general liability claims. These provisions are made of multiple items; the timing of the settlement of these provisions is unknown given their nature, as the Company does not control the litigation timelines.

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 was $14.0 million as at May 31, 2024 (November 30, 2023 – $16.4 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at May 31, 2024, the Company has accrued $1.6 million (November 30, 2023 – $1.6 million), included in Accounts payable and accrued liabilities in the condensed interim consolidated financial statements, with respect to these guarantees.

CHANGES IN ACCOUNTING POLICIES

Policies applicable beginning 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 new definition. 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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the three and six-month periods ended May 31, 2024 and have not been applied in preparing the condensed interim consolidated financial statements.

The following amendments may have a material impact on the condensed interim consolidated financial statements of the Company:

Standard		Issue date	Effective date for the Company	Impact
IAS 1	Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
IFRS 16	Leases	September 2022	December 1, 2024	In assessment
IAS 21	The Effects of Changes in Foreign Exchange Rates	August 2023	December 1, 2025	In assessment
IFRS 18	Presentation and Disclosure of Financial Statements	April 2024	December 1, 2028	In assessment
IFRS 9 & IFRS 7	Financial Instruments & Financial Instruments and Disclosures	May 2024	December 1, 2026	In assessment

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.

In October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments also defer the effective date of the 2020 amendments to January 1, 2024.
The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

IAS 21, The Effects of Changes in Foreign Exchange Rates
In August 2023, the IASB published *Lack of Exchangeability (Amendments to IAS 21)*. The amendments specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and require the disclosure of additional information when a currency is not exchangeable. The amendments to IAS 21 are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company will adopt the amendments on December 1, 2025.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB published a new standard IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. New requirements have been introduced for presentation in the statement of profit and loss, increased disclosure of management defined performance measures and defining the way information is aggregated and disaggregated in the financial statements. The application of IFRS 18 is effective for annual reporting beginning on or after January 1, 2027. Earlier application is permitted. The Company will adopt the amendments on December 1, 2028.

IFRS 9 Financial Instruments and IFRS 7 Financial Instrument Disclosures

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures). The amendments to IFRS 9 clarify de-recognition and classification of specific financial liabilities and assets respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value thorough other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Earlier application is permitted. The Company will adopt the amendments on December 1, 2026.

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.

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, 2022 and 2023 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages which have persisted into the first six months of 2024. 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 impacts of a widespread health epidemic or pandemic, including 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.

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 or through the consumption of foods. The risk of contracting viruses transmitted through human contact 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. Viruses transmitted through the consumption of foods, such as salmonella, could cause guests to have negative views of a brand, which could cause severe reputational and potentially irreversible damages and, similar to viruses transmitted through human contact, may adversely affect the business and operating results.

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, war or hostilities in countries in which 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 suppliers or could severely damage or destroy one of more of the 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.

Changes to interest rates could also impact MTY's borrowing capacity, thereby affecting its ability to make accretive acquisitions. Rising interest rates would also negatively impact franchisees' borrowing capacity as well as their available cash flows, thereby slowing down the build of new locations and causing cash flow strains on existing franchisees.

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, 2023 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, as well as other geopolitical events, such as war or hostilities between countries, and rising interest rates 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 and 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 May 31, 2024 and November 30, 2023. 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 $)	**May 31, 2024**		November 30, 2023	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**5,096**	**5,096**	5,389	5,389
Finance lease receivables	**310,822**	**310,822**	333,706	333,706
Financial liabilities				
Long-term debt (1)	**725,654**	**725,654**	759,134	759,134

(1) *Excludes contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc., credit facility financing costs, non-controlling interest option in 9974644 Canada Inc. 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.

Swaps

Cross currency interest rate swaps

On April 29, 2024, the Company entered into one floating to floating 3-month cross currency interest rate swap (November 30, 2023 – one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap). A derivative liability fair value of $1.3 million was recorded as at May 31, 2024 (November 30, 2023 – derivative liability of $2.6 million) in the current portion of derivative liabilities in the condensed interim consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	May 31, 2024	November 30, 2023	
	3-month	3-month	2-month
Receive – Notional	**US$191.2 million**	US$51.1 million	US$142.9 million
Receive – Rate	**7.12%**	7.14%	7.14%
Pay – Notional	**CA$262.0 million**	CA$70.0 million	CA$196.0 million
Pay – Rate	**6.71%**	6.66%	6.59%

Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US$200.0 million. The period of three years ends on April 10, 2026. Under the terms of this swap, the interest rate is fixed at 3.32%. A derivative asset fair value of $7.4 million was recorded as at May 31, 2024 (November 30, 2023 – $6.6 million). The Company has classified this as level 2 in the fair value hierarchy and has designated this as a cash flow hedge of the Company's interest rate risk from its credit facility. A fair value remeasurement gain of $0.9 million and $0.7 million was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and six-month period ended May 31, 2024, respectively (2023 – nil).

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap for a notional amount of US$100.0 million. The period of two years ends on May 30, 2025. Under the terms of this swap, the interest rate is fixed at 3.64%, unless the 1-month term SOFR exceeds 5.50%; if the 1-month term SOFR exceeds 5.50%, the Company will pay the 1-month term SOFR. A derivative asset fair value of $1.5 million was recorded as at May 31, 2024 (November 30, 2023 – $1.3 million). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of $0.1 million and $0.2 million was recorded in the Company's condensed interim consolidated statement of income for the three and six-month period ended May 31, 2024, respectively (2023 – nil).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US$50.0 million. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will received 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between current rate and 2.95%. A derivative asset of $0.1 million was recorded as at May 31, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of $0.2 and $0.1 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month period ended May 31, 2024, respectively (2023 – nil).

The swaps were recorded in the condensed interim consolidated statements of financial position as follows:

(in thousands $)	Cross currency interest rate swaps	3-year SOFR fixed interest rate swap US$200,000	2-year SOFR fixed interest rate swap US$100,000	3-year SOFR fixed interest rate swap US$50,000	Total
	$	$	$	$	$
Current portion of derivative asset	—	4,835	—	—	4,835
Current portion of derivative liabilities	(1,262)	—	—	—	(1,262)
Long-term portion of derivative asset	—	2,526	1,488	60	4,074
May 31, 2024	**(1,262)**	**7,361**	**1,488**	**60**	**7,647**

Fair value hierarchy

The changes in the carrying amount of the financial liabilities classified as level 3 in the fair value hierarchy are as follows:

(In thousands $)	**2024**
	$
Financial liabilities classified as level 3 as at November 30, 2023	10,067
Revaluation of financial liabilities recorded at fair value	**(390)**
Financial liabilities classified as level 3 as at May 31, 2024	**9,677**

As at May 31, 2024 and November 30, 2023, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

(In thousands $)	**May 31, 2024**	November 30, 2023
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**246**	600
Non-controlling interest buyback option	**1,877**	2,288
Obligation to repurchase 11554891 Canada Inc. partner	**7,554**	7,179
Financial liabilities classified as level 3	**9,677**	10,067

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 May 31, 2024.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables and finance lease 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 and finance lease receivables 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 and finance lease receivables.

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. The Company from time to time may enter into fixed interest rate derivatives to manage its cash flow risk exposure, with long-term commitments requiring Board approval to ensure compliance with the Company's risk management strategy. As at May 31, 2024, the Company holds floating-to-fixed interest rate swaps in order to hedge a portion of the interest rate cash flow risk associated with floating interest rate debt.

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 SOFR 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. $725.6 million (November 30, 2023 – $757.8 million) of the credit facility was used as at May 31, 2024. A 100 basis points increase in the bank's prime rate would result in additional interest of $7.3 million per annum (2023 – $7.6 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 May 31, 2024, the Company had an authorized revolving credit facility for which the available amount may not exceed $900.0 million (November 30, 2023 – $900.0 million) and including an accordion feature amounting to $300.0 million (November 30, 2023 – $300.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at May 31, 2024:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	140.6	140.6	140.6	—	—	—
Long-term debt [(1)]	733.0	735.4	9.8	—	—	725.6
Interest on long-term debt [(1)]	N/A	139.7	24.1	24.1	49.3	42.2
Lease liabilities	512.2	590.3	65.8	65.8	114.9	343.8
	1,385.8	**1,606.0**	**240.3**	**89.9**	**164.2**	**1,111.6**

[(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 restaurant industry in 2024 remains extremely competitive. The pace of technological changes, innovations and shifts in customer preferences continue to accelerate, while trends appear and dissipate in short periods of time. Industry players need to be increasingly agile in order to adapt to the market and create sustainable streams of revenues that will carry from one generation of customers to the next. MTY's entrepreneurial roots give it an advantage in the current environment and the various teams are prepared to face any situation.

At the date of this report, although not completely gone, inflation and labour issues seem to be receding. Some jurisdictions continue to increase minimum wages materially, putting additional pressure on the cost structure of franchisees and the Company's corporate locations in an environment in which consumers are becoming increasingly sensitive to price increases. MTY's team focus on innovation, product quality and consistency, superior store design, seamless and appealing online interactions with customers and perceived value are all elements that position MTY well to thrive in the future, even if macroeconomic pressures persist.

Management remains committed to maximize shareholder value by improving normalized adjusted EBITDA through improved in-restaurant dining and online digital experiences as well as cost cutting measures. Organic growth of system sales and store count of existing concepts remains a priority while MTY continues to seek potential acquisitions in an effort to increase the Company's market share.

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 second quarter of 2024, 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 second quarter of 2024, 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 March 1, 2024 and ending on May 31, 2024, 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 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 six months ended May 31, 2024, these SPEs represent less than 0.5% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.3% of the Company's current liabilities, less than 0.1% of non-current liabilities, 0.8% 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, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA 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
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	—

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
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	—
BBQ Holdings – Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound and Champps	September 2022	100%	198	103
Wetzel's Pretzels	December 2022	100%	328	38
Sauce Pizza and Wine	December 2022	100%	—	13

Definition of non-GAAP measures

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

Adjusted EBITDA	Represents revenue less operating expenses. See reconciliation of adjusted EBITDA to Income (loss) before taxes on page 12 and 18.
Normalized adjusted EBITDA	Represents revenue less operating expenses (excluding transaction costs related to acquisitions and SAP project implementation costs). See reconciliation of normalized adjusted EBITDA to Income (loss) before taxes on page 12 and 18.
Free cash flows net of lease payments	Represents the net cash flows: provided by operating activities; used in additions to property, plant and equipment and intangible assets; provided by proceeds on disposal of property, plant and equipment; and net of lease payments.

Definition of non-GAAP ratios

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.
Normalized adjusted EBITDA as a % of revenue	Represents normalized adjusted EBITDA divided by revenue.
Free cash flows net of lease payments per diluted share	Represents free cash flows net of lease payments 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.
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 net of lease payments[1] loop to cash flows provided by operating activities

	Three months ended							
(In thousands $)	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**
Cash flows provided by operating activities	42,228	37,430	33,467	51,860	51,495	47,764	54,178	40,558
Additions to property, plant and equipment	(1,327)	(2,700)	(7,897)	(11,030)	(7,962)	(3,235)	(7,011)	(7,265)
Additions to intangible assets	(713)	(257)	(120)	(393)	(696)	(836)	(298)	(356)
Proceeds on disposal of property, plant and equipment	666	286	481	246	375	587	564	2,320
Net lease payments	**(3,598)**	**(7,361)**	**(10,498)**	**(11,136)**	**(11,082)**	**(10,923)**	**(10,511)**	**(10,936)**
Free cash flows net of lease payments [1]	**37,256**	**27,398**	**15,433**	**29,547**	**32,130**	**33,357**	**36,922**	**24,321**

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

System sales [1] to royalties

	Sales for the six months ended May 31, 2024						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	20.2	832.0	852.2	234.9	1,704.0	1,938.9	**2,791.1**
Franchise royalty income as a % of franchise sales	—	5.26%	—	—	5.13%	—	**N/A**
Royalties	—	43.8	—	—	87.5	—	**131.3**

	Sales for the six months ended May 31, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	15.8	858.2	874.0	240.0	1,718.5	1,958.5	**2,832.5**
Franchise royalty income as a % of franchise sales	—	5.38%	—	—	5.05%	—	**N/A**
Royalties	—	46.2	—	—	86.8	—	**133.0**

	Sales for the three months ended May 31, 2024						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	11.8	424.5	436.3	121.5	901.6	1,023.1	**1,459.4**
Franchise royalty income as a % of franchise sales	—	5.28%	—	—	5.16%	—	**N/A**
Royalties	—	22.4	—	—	46.5	—	**68.9**

	Sales for the three months ended May 31, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	8.2	441.9	450.1	125.1	894.8	1,019.9	**1,470.0**
Franchise royalty income as a % of franchise sales	—	5.32%	—	—	5.08%	—	**N/A**
Royalties	—	23.5	—	—	45.5	—	**69.0**

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

Brands per category

Quick service restaurant

America’s Taco Shop
Blimpie
Built Custom Burgers
Café Dépôt
Cold Stone Creamery
Country Style
Cultures
Dagwoods Sandwiches and Salads
Extreme Pita
Frullati Café & Bakery
The Great Steak & Potato Company
Jugo Juice
Kahala Coffee Traders
Kim Chi
Koryo Korean Barbeque
Koya Japan
La Crémière
La Diperie
Manchu Wok
Maui Wowi
Mr. Souvlaki
Mr. Sub
Vanellis
Muffin Plus
NrGize Lifestyle Café
Papa Murphy’s
Planet Smoothie
Ranch One
Rocky Mountain Chocolate Factory
Rollerz
SenseAsian
Sukiyaki
Surf City Squeeze
SweetFrog
Taco Time
Tasti D-Lite
TCBY
Tiki Ming
Valentine
Van Houtte
Vie & Nam
Villa Madina
Wasabi Grill & Noodle

Fast casual

Baja Fresh Mexican Grill
Big Smoke Burger
Grabbagreen
Küto Comptoir à Tartares
La Boite Verte
La Salsa Fresh Mexican Grill
Mucho Burrito
Pinkberry
Real Urban Barbecue
Samurai Sam’s Teriyaki Grill
South Street Burger
Sushi Go
Sushi-Man
Sushi Shop
Thaï Express
ThaïZone
Timothy’s World Coffee
Tosto Quickfire Pizza Pasta
Yuzu Sushi

Casual

Allô! Mon Coco
Bakers Square
Barrio Queen
Baton Rouge
Ben & Florentine
Casa Grecque
Champps
Craft Republic
Famous Dave’s
Fox & Hound
Giorgio Ristorante
Granite City
Johnnie’s New York Pizzeria
Madisons New York Grill & Bar
Toujours Mikes
Pizza Delight
Scores
Steak Frites St-Paul
Tahoe Joe’s Steakhouse
COOP Wicked Chicken
The Counter Custom Burgers
The Works Gourmet Burger Bistro
Turtle Jack’s Muskoka Grill
Tutti Frutti
Village Inn