MTY FOOD GROUP INC.
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Montreal, May 25, 2016 TSX Trading Symbol: "MTY"

NEWS RELEASE

MTY ENTERS INTO AN AGREEMENT TO ACQUIRE THE SHARES OF KAHALA BRANDS LTD.

Montreal, May 25, 2016 - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY) announced today that it has signed an agreement to acquire the shares of Kahala Brands, Ltd. ("Kahala") (www.kahalamgmt.com) pursuant to the merger of a wholly-owned subsidiary of the Company with and into Kahala in accordance with the terms and conditions of such agreement.

Stanley Ma, Chair of the Board and Chief Executive Officer of MTY, said: "This is one of the most important days in the history of MTY, being able to acquire a great portfolio of brands managed by among the very best people in the industry. MTY had been searching for the right foundation for its US expansion for the last three years, and it has finally found the perfect match. The combination of the two companies' portfolio and expertise will produce tremendous opportunities in Canada, in the United States and worldwide."

Michael Serruya, Chairman and Chief Executive Officer of Kahala said: "My brothers and I have known Stanley Ma for many years. He is an extremely competent, and professional CEO, who successfully leads an outstanding Company. The merger of Kahala and MTY in my opinion is in the best interests of all Kahala's shareholders, our outstanding employees, franchisees, suppliers, and the entire Kahala community."

Transaction and rationale

Kahala currently franchises and operates approximately 2,800 stores worldwide, under 18 brands in 25 countries. Kahala's network generates annual system sales of over C$950 million. Kahala's operations are a natural fit for MTY given the similarity of the companies' operations. Both companies operate a very scalable multi-brand franchised network, generate high EBITDA margins and maximize EBITDA conversion into free cash flows.

The acquisition of Kahala represents a major milestone for MTY as it solidifies its presence in the United States that will become one of the main growth platforms for MTY for the brands currently operating in the United States and for MTY's Canadian brands.

Kahala's head office is located is Scottsdale, Arizona. Following the transaction, MTY's US head office will be moved into Kahala's current offices.

During the 12 months following the acquisition, the combined entity is expected to generate over C$90 million in EBITDA, C$250 million in revenues and C$2 billion in system sales. The transaction is expected to be immediately accretive. The combined entity will have a portfolio of approximately 5,500 stores under 57 brands.

"Combining the best of both companies and the knowledge and weight of each company in their respective markets is expected to yield significant acceleration in the growth of the combined business in North America and worldwide" commented Stanley Ma.

Conditions and regulatory approvals

The agreement is binding but remains subject to multiple conditions, including standard regulatory approvals (including TSX approval), financing and other conditions customary for a transaction of this nature.

Financing

Total consideration for the transaction is estimated at US$300 million, satisfied by the issuance of 2,253,930 shares of MTY and the payment of US$240 million in cash. The final purchase price remains subject to customary working capital adjustments. The cash component of the consideration will be financed by MTY's cash on hand and by the new credit facility that is presently being arranged. TD Securities will act as the sole Lead Arranger and Bookrunner for a syndicate of lenders. The new credit facility is expected to provide enough flexibility for MTY to complete additional acquisitions in respect of future opportunities that might become available to MTY and continue to pay and adjust its dividend in accordance with its dividend policy.

Closing of the transaction

The closing of the transaction is expected to happen within the next 75 days. There is no assurance the transaction will be completed as described above or at all, or that the anticipated closing date will materialize.

Non-IFRS Measures

This News Release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales" and "EBITDA" to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

"System Sales" represents the net sales received from restaurant guests at both corporate and franchise restaurants including take-out and delivery customer orders. System Sales includes sales from both established restaurants as well as new restaurants. Management believes System Sales provides meaningful information to investors regarding the size of MTY's restaurant network, the total market share of the Company's brands and the overall financial performance of its brands and restaurant owner base, which ultimately impacts MTY's consolidated financial performance.

"EBITDA" is defined as net earnings (loss) from continuing operations before net interest expense and other financing charges, losses (gains) on derivative, income taxes, depreciation of property, plant and equipment, amortization of intangible assets, and impairment of assets, net of reversals.

Forward looking information

Certain information in this News Release constitutes "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this News Release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, this News Release contains forward-looking information regarding: the completion of the Kahala acquisition, the potential closing date of the Kahala acquisition and the potential impact of the Kahala acquisition on the Company’s future operations; opportunities, growth and United States expansion; the suitability of the Kahala acquisition by the Company; the effect of the Kahala acquisition on Kahala stakeholders; the location of MTY’s United States head office and where MTY’s United States operations will be managed; the retention of Kahala’s management team; the expected EBITDA, revenue, system sales and potential growth of the combined entity; potential future acquisition opportunities; and the continuing payment of dividends by the Company. This forward-looking information reflects current expectations and assumptions regarding future events and operating performance and speaks only as of the date of this News Release. These assumptions include, but are not limited to: currency exchange rates used to derive Canadian dollar expectations; market acceptance of the Kahala acquisition; the satisfactory fulfilment of all of the conditions precedent to the Kahala acquisition; the receipt of all required approvals and consents including regulatory, TSX, shareholder and any other approvals; acceptable financing to complete the Kahala acquisition; future results of Kahala’s business and operations meeting or exceeding historical results; the success of the integration of Kahala’s operations and management team with the Company’s operations and business; and market acceptance of potential future acquisitions by the Company. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: currency exchange rates, general business, economic, competitive, political, capital market and social conditions and uncertainties; the intensity of competitive activity, and the resulting impact on our ability to attract customers’ disposable income; our ability to secure advantageous locations and renew our existing leases at sustainable rates; the arrival of foreign concepts; our ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of our concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; the level of consumer confidence and spending and the demand for, and prices of, our products; our ability to implement our strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide to us essential products and services; labour availability and cost or the loss of key individuals; stock market volatility; operational constraints and the event of the occurrence of epidemics, pandemics and other health risks; delay or failure to receive board or regulatory approvals; changes in legislation affecting the Company; and the timing and availability of external financing on acceptable terms. Expected EBITDA, revenue, system sales and growth could vary due to fluctuations in currency exchange rates.

A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the disclosure documents on the SEDAR website at www.sedar.com. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this News Release is expressly qualified by this cautionary statement. Except as required by law, the Company assumes no obligation to update or revise forward-looking information to reflect new events or circumstances. Financial outlooks contained in this News Release were approved by management of the Company on May 25, 2016. The purpose of this information is to provide a potential financial outlook of the combined entity and this information may not be appropriate for other purposes. Additional information is available in the Company's Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com.

On Behalf of the Board of Directors of
MTY Food Group Inc.

Stanley Ma, Chairman, President & CEO

For more information please contact Eric Lefebvre, Chief Financial Officer at 1-514-336-8885 x 288 or by email at ir@mtygroup.com, or visit our website: www.mtygroup.com or SEDAR's website at www.sedar.com under the Company's name.