



Management's Discussion and Analysis For the three-months ended February 28, 2015

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes, and with the most recent annual report, for the fiscal year ended November 30, 2014.

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 consolidated financial statements contained in this interim report have not been reviewed by MTY's external auditors.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (IFRS) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2014.

This MD&A was prepared as at April 8, 2015. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

Forward looking statements and use of estimates

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same-Store Sales, Contingent Liabilities and Subsequent Event, 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 2015. 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 at April 8, 2015 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 April 8, 2015. 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 on contingent liabilities and contingent assets information 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; operational constraints and the event of the occurrence of epidemics, pandemics and other health risks.

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

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

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after April 8, 2015. The financial impact of these transactions and non-recurring and other special items can be complex and depends 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 our business.

Compliance with International Financial Reporting Standards

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”). MTY uses earnings before interest, taxes, depreciation and amortization (“EBITDA”), because this measure enables management to assess the Company’s operational performance. The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.

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

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believe that certain investors and analysts use EBITDA to measure a company’s ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, same-store sales growth provides additional information to investors about the performance of the network that is not available under GAAP. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the first quarter

On December 18, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian restaurants, for a total consideration of \$7.9 million. The transaction was effective on December 18, 2014.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémère, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Vanellis, Kim Chi, “TCBY”, Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O’Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaiZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle and SenseAsian.

As at February 28, 2015, MTY had 2,837 locations in operation, of which 2,784 were franchised or under operator agreements and the remaining 53 locations were operated by MTY.

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, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Crémère, “TCBY”, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaiZone, Extreme Pita,

Mucho Burrito and Madisons banners. La Crémère and “TCBY” operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki-Ming (Chinese cuisine), was its first banner, followed by Sukiyaki (a Japanese delight), Franx Supreme (hot dog/hamburger), Panini Pizza Pasta, Chick’n’Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori and O’Burger.

Other banners added through acquisitions include:

- 18 locations from the Fontaine Santé/Veggirama chain in 1999,
- 74 locations from the La Crémère ice cream chain in 2001,
- 20 locations from the Croissant Plus chain in 2002,
- 24 locations from the Cultures chain in 2003,
- 6 locations from the Thai Express chain in May 2004,
- 103 locations from the Mrs. Vanelli’s chain in June 2004,
- 91 locations of The Country’s Best Yogurt “TCBY” with the undertaking of the Canadian master franchise right in September 2005,
- On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations,
- On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations,
- On October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location,
- On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group,
- On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd,
- On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada,
- On May 1, 2009, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries,
- On September 16, 2010, the Company acquired the outstanding shares of Groupe Valentine inc. and of its network of 95 stores. The transaction was effective September 1, 2010,
- On August 24, 2011, the Company acquired the assets of Jugo Juice International Inc. with 136 outlets in operation at the date of closing. The transaction was effective August 18, 2011,
- On November 1, 2011, the Company acquired the assets of Mr. Submarine Limited, with 338 stores in operations at the date of closing,
- On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp. with 20 stores in operations at the effective date of closing. The transaction was effective November 1, 2011.
- On September 26, 2012, the Company acquired the assets of Mr. Souvlaki Ltd. with 14 stores in operation at the effective date of closing.
- On May 31, 2013, the Company acquired the SushiGo banner, with a total of 5 outlets at the date of closing. The acquisition was effective on June 1, 2013.
- On September 24, 2013, the Company acquired the assets of Extreme Pita, PurBlendz and Mucho Burrito (“Extreme Brandz”), with a total of 305 stores, including five corporately-owned stores. Of the 305 stores, 34 were operated from the United States.
- On September 30, 2013, the Company acquired 80% of the assets of Thai Zone. At the date of closing, the chain operated 25 stores and 3 mobile restaurants.

- On July 21, 2014, the Company acquired the assets of Madisons via a 90%-owned subsidiary. At the date of closing, there were 14 franchised stores located in the province of Quebec. The transaction was effective July 18, 2014.
- On October 31, 2014, the company acquired the assets of Café Dépôt, Muffin Plus, Sushi-Man and Fabrika, which operated 101 stores, including 13 corporate restaurants.
- On November 7, 2014, the company acquired 52 Van Houtte Café Bistros, 51 of which were franchised and 1 corporately-owned.
- On December 18, 2014, the company acquired the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian, which operated 132 stores, including 17 corporately-owned stores.

MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental, supplier contributions and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. 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 turn key projects, rent, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to microwavable meals sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves the Valentine and Franx Supreme franchisees with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On December 18, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of \$7.9 million. At the date of closing, there were 132 outlets in operations, including 17 corporately-owned restaurants. 51 of the restaurants are located in the United States.

On November 7, 2014, the Company announced that it had completed the acquisition of 100% of the franchising operations of Van Houtte Café Bistros for a total consideration of \$0.95 million. At the date of closing, there were 52 outlets in operations, including one corporately-owned restaurant. All of the restaurants are located in the province of Quebec.

On October 31, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Café Dépôt, Muffin Plus, Sushi-Man and Fabrika, for a total consideration of \$13.95 million. At the time of closing, there were 101 restaurants in operations, including 13 corporate ones. All of the restaurants are located in the province of Quebec, with the exception of one restaurant which is located in Ontario.

On July 21, 2014, the Company acquired the assets of Madisons for a total consideration of \$12.9 million. The Company took a 90% ownership position in the newly created subsidiary. The acquisition was financed using a \$3.0 million cash injection from the shareholders, a new credit facility and by a balance of

sale of \$1.3 million. At the date of closing, there were 14 franchised restaurants in operation, all of which are located in Quebec.

Summary of quarterly financial information

in thousands of \$	Quarters ended							
	May 2013	August 2013	November 2013	February 2014	May 2014	August 2014	November 2014	February 2015
Revenue	\$25,342	\$25,130	\$28,260	\$25,602	\$29,402	\$30,234	\$29,939	\$32,364
EBITDA	\$9,551	\$10,521	\$10,360	\$9,486	\$11,339	\$10,515	\$11,319	\$10,423
Net income attributable to owners	\$6,250	\$6,682	\$7,145	\$5,537	\$7,269	\$7,099	\$5,521	\$6,279
Total comprehensive income attributable to owners	\$6,250	\$6,682	\$7,151	\$5,519	\$7,281	\$7,085	\$5,521	\$5,938
Per share	\$0.33	\$0.35	\$0.37	\$0.29	\$0.38	\$0.37	\$0.29	\$0.33
Per diluted share	\$0.33	\$0.35	\$0.37	\$0.29	\$0.38	\$0.37	\$0.29	\$0.33

Results of operations for the first quarter ended February 28, 2015

Revenue

During the first three months of the 2015 fiscal year, the Company's total revenue increased by 26% to reach \$32.4 million. Revenues for the four segments of business are broken down as follows:

	February 28, 2015 (\$ million)	February 28, 2014 (\$ million)	Variation
Franchise operation	22.3	19.4	15%
Corporate stores	7.3	2.8	164%
Distribution	1.4	1.3	6%
Food processing	1.9	2.3	(19%)
Intercompany transactions	(0.4)	(0.2)	N/A
Total operating revenues	32.4	25.6	26%

As is shown in the table above, revenue from franchise locations progressed by 15%. Several factors contributed to the variation, as listed below:

	\$million
Revenues, first quarter of 2014	19.4
Increase in recurring revenue streams	2.8
Decrease in initial franchise fees, renewal fees and transfer fees	(0.3)
Decrease in turn key, sales of material to franchisees and rent revenues	(0.0)
Other non-material variations	0.4
<u>Revenues, first quarter of 2015</u>	<u>22.3</u>

During the quarter, the Company benefitted from the impact of the acquisitions realised late in 2014 and in 2015, which accounted for nearly all of the increase in recurring streams of revenues.

Revenue from corporate owned locations increased by 164%, to \$7.3 million during the period. The increase is mainly due to the corporate stores acquired through the acquisitions made in the past 12 months. At quarter end, the company had 53 corporate stores, compared to 21 a year earlier.

Distribution revenues increased by 6% while food processing revenues decreased by 19% during the first quarter. Distribution revenues increased mainly due to an increase in system sales of the concepts it supports during the period. Revenues from the food processing business were down 19% as certain products have been discontinued because of a lack of profitability.

Cost of sales and other operating expenses

During the first quarter of 2015, operating expenses increased by 36% to \$21.9 million, up from \$16.1 million a year ago. Operating expenses for the four business segments were incurred as follows:

	February 28, 2015 (\$ million)	February 28, 2014 (\$ million)	Variation
Franchise operation	12.0	10.1	19%
Corporate stores	7.2	2.7	171%
Distribution	1.2	1.2	4%
Food processing	1.9	2.3	(18%)
<u>Intercompany transactions</u>	<u>(0.4)</u>	<u>(0.2)</u>	N/A
<u>Total operating expenses</u>	<u>21.9</u>	<u>16.1</u>	<u>36%</u>

Expenses from franchise operations increased by \$1.9 million during 2015 compared to the same period last year. The increase is mostly attributable to the new concepts acquired late in 2014 and in 2015. Most of those expenses are in the form a wages and benefits and other expenses related to the workforce that joined the Company following the acquisitions. Other notable increases during the period include higher costs of turn keys related to an increased volume of such projects, rent, as well as lease termination costs.

Expenses from the other segments fluctuated mostly as a function of factors explained in the Revenue section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended February 28, 2015					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$22.25	\$7.31	\$1.35	\$1.88	(\$0.42)	\$32.36
Expenses	\$11.99	\$7.24	\$1.23	\$1.90	(\$0.42)	\$21.94
EBITDA ⁽¹⁾	\$10.26	\$0.06	\$0.12	(\$0.02)	\$0.00	\$10.42
EBITDA as a % of Revenue	46%	1%	9%	N/A	N/A	32%

	Three months ended February 28, 2014					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$19.39	\$2.76	\$1.27	\$2.33	(\$0.15)	\$25.60
Expenses	\$10.10	\$2.67	\$1.18	\$2.32	(\$0.15)	\$16.12
EBITDA ⁽¹⁾	\$9.29	\$0.10	\$0.09	\$0.01	\$0.00	\$9.49
EBITDA as a % of Revenue	48%	3%	7%	0%	N/A	37%

EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies.

⁽¹⁾EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 9.

Total EBITDA for the three month period ended February 28, 2015 was \$10.4 million, an increase of 10% compared to the same period last year.

During the period, the franchising operations generated \$10.3 million in EBITDA, a 10% increase over the results of the same period last year. The increase is mainly attributable to the operations of the newly acquired concepts, which generated most of the total increase in EBITDA.

EBITDA as a % of revenues was impacted adversely by the higher weight of revenues from turnkeys, sales of materials and rent. Operating charges, mainly in the form of rents and lease termination costs and lower revenues from initial franchise fees also had a negative impact on the margins from the franchising segment. This was partly offset by stronger margins on other franchising activities resulting from the higher recurring stream of revenues.

Net income

For the three month period ended February 28, 2015, net income attributable to owners increased by 13%, to \$6.3 million compared to \$5.5 million for the same period last year. The increase is due to the growth in EBITDA, which was partly offset by higher amortization charges and a slightly higher tax burden.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

<i>(in thousands of dollars)</i>	Period ended February 28, 2015	Period ended February 28, 2014
Income before taxes	8,725	7,653
Depreciation – property, plant and equipment	307	245
Amortization – intangible assets	1,679	1,452
Interest on long-term debt	89	91
Foreign exchange gains	(192)	(58)
Interest income	(20)	(6)
(Gain)/loss on disposal of property, plant and equipment	(165)	57
Other income	-	52
EBITDA	10,423	9,486

Other income and charges

The gain on disposal of property, plant and equipment increased by \$0.2 million mainly because of the disposal of a corporate store for a nominal amount during the first quarter of 2014.

Income taxes

The provision for income taxes as a percentage of income before taxes was slightly higher in the first quarter of 2015, mainly because of the higher weight of income generated in the United States, which is taxed at a higher rate than income generated in Canada.

Contractual obligations and long-term debt

The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending <i>(In thousands \$)</i>	Long term debt ⁽¹⁾	Net lease commitments	Total contractual obligations
12 months ending February 2016	\$4,732	\$5,005	\$9,737
12 months ending February 2017	\$3,891	\$5,195	\$9,086
12 months ending February 2018	\$258	\$4,376	\$4,634
12 months ending February 2019	\$258	\$3,402	\$3,660
12 months ending February 2020	\$133	\$2,941	\$3,074
Balance of commitments	\$26	\$8,775	\$8,801
	\$9,298	\$29,694	\$38,992

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the February 28, 2015 condensed interim consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions, non-interest bearing contract cancellation fees as well as a balance of sale related to the acquisition of Madisons.

At the end of the quarter, the Company had drawn \$8.9 million from its credit facilities. The credit facilities are subject to covenants of funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5 to 1. At February 28, 2015, the Company was in compliance with the facilities'

covenants. The facilities, when used, bears interest at the bank's annual prime rate plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio.

Liquidity and capital resources

As of February 28, 2015, the amount held in cash net of the line of credit totalled \$(4.3) million, an increase of \$0.8 million since the end of the 2014 fiscal period.

During the first quarter of 2015, the Company finalized the acquisition of Manchu Wok, investing a total of \$5.0 million. The Company also paid \$1.9 million in dividends to its shareholders during the quarter. All those items had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations during the first quarter.

Cash flows generated by operating activities were \$8.0 million during the first three months of 2015, compared to \$8.7 million for the same period in 2014. Excluding the variation in non-cash working capital items, income taxes and interest paid, our operations generated \$10.1 million in cash flows, compared to \$9.6 million in 2014, which represents an increase of 5% compared to the same period last year. The main driver for the increase stems from the increase to recurring revenue streams.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of \$40.0 million, of which \$31.1 million was available as at February 28, 2015.

Financial position

Accounts receivable at the end of the quarter were at \$16.3 million, compared to \$16.0 million at the end of the 2014 fiscal period. The increase is mainly due to the growth in franchising revenues.

Investment in subsidiary held-for-sale consists of the Company's investment in 7687567 Canada Inc., which was classified as held-for-sale during the 2013 fiscal year. During the quarter, the Company invested an additional \$0.7 million in 7687567 Canada Inc. The value of the investment in subsidiary held-for-sale reported in the condensed interim consolidated statement of financial position is equal to 7687567 Canada Inc.'s net carrying value of assets less liabilities. This investment represents a segment of the Company.

Property, plant and equipment, intangible assets and goodwill all increased in the first quarter of 2015 as a result of the acquisition made during the quarter.

Accounts payable increased to \$16.8 million as at February 28, 2015, from \$13.2 million as at November 30, 2014. The increase is mainly due to the growth of the franchising business and the number of turn key projects in progress at year end, as well as to an increase in the total reserve of advertising funds.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, remained stable at \$3.1 million as at February 28, 2015.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. The balance as at February 28, 2015 was \$3.7 million, in line with the balance at the end of 2014. These amounts will be recognized into revenues as they are earned.

Long-term debt is composed of non-interest bearing holdbacks on acquisitions and non-interest bearing contract cancellation fees. During the quarter, the Company added a non-interest bearing holdback on the acquisition of Manchu Wok.

Further details on the above statement of financial position items can be found in the notes to the February 28, 2015 condensed interim consolidated financial statements.

Capital stock

No shares were issued during the quarter ended February 28, 2015. As at April 8, 2015 there were 19,120,567 common shares of MTY outstanding.

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, cinemas, amusement parks, in other venues or retailer 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 for the three months ended	
	February 28, 2015	February 28, 2014
Franchises, beginning of year	2,691	2,565
Corporate owned, beginning of year	36	25
Opened during the period		
Mall	10	12
Street	12	13
Non-traditional	5	15
Closed during the period		
Mall	(17)	(7)
Street	(12)	(17)
Non-traditional	(20)	(15)
Acquired during the period	132	-
Total end of period	2,837	2,591
Franchises, end of period	2,784	2,570
Corporate owned, end of period	53	21
Total end of period	2,837	2,591

During the period, the Company's network experienced a net decrease of 22 outlets, compared to a net addition of 1 outlet for the same period a year ago, excluding the 132 new stores added as a result of the acquisition of Manchu Wok, Wasabi Grill & Noodle and SenseAsian. Most of the difference comes from a reduction in the number of new stores opened during the first quarter, as some projects experienced delays and will be delivered in subsequent quarters.

At the end of the period, the Company had 53 corporate stores, a net increase of 17 compared to the end of the 2014 fiscal year. During the period, 17 corporate-owned locations were acquired, 2 were sold, 2 were closed and 4 were added.

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

Location type	% of location count		% of system sales 3 months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Shopping mall & food court	39%	35%	47%	39%
Street front	41%	41%	42%	46%
Non-traditional format	20%	24%	11%	15%

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

Geographical location	% of location count		% of system sales 3 months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Ontario	40%	43%	29%	32%
Quebec	29%	27%	36%	33%
Western Canada	21%	22%	24%	27%
Maritimes	3%	3%	2%	2%
International	7%	5%	9%	6%

System wide sales

System wide sales for the first quarter of 2015 reached \$246.7 million, up 23% over the same period a year ago. Approximately 93% of the increase was attributable to acquisitions realized in the last 12 months.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant.

Same-store sales

During the quarter ended February 28, 2015, same-stores sales increased by 0.7% over the same period last year. During the period, 15 of MTY's concepts produced positive same-store sales growth, while 17 experienced a decline.

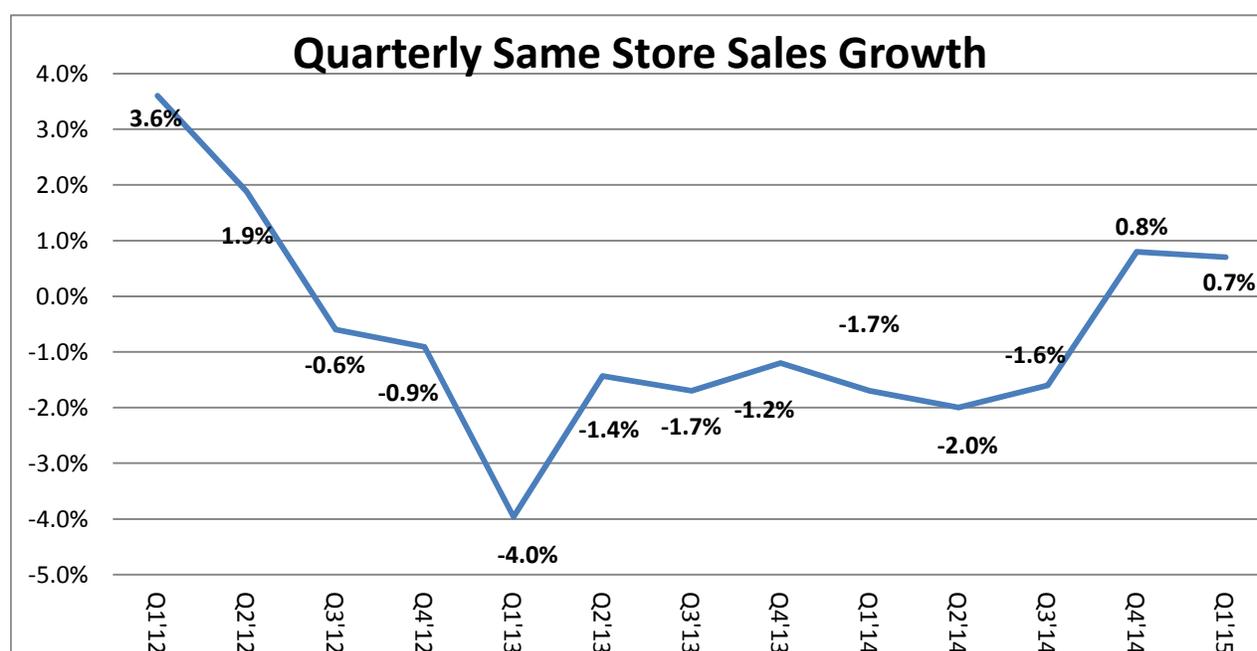
Despite the improvement of same-store sales in the last two quarters, management remains prudent in drawing conclusions.

The retail environment as a whole remains highly uncertain as multiple retail stores and chains have closed, declared bankruptcy or withdrawn from Canada in the past few months. The impact of all this activity cannot yet be fully measured.

The restaurant industry also remains uncertain, as competition continues to intensify both from a price and an offering point of view. The impact of the decrease in oil prices on the Canadian economy has been contained for the moment, but job losses in Western Canada may eventually impact discretionary income and as a result food dollars spent in restaurants.

Once again this quarter, Western provinces fared significantly better than other regions in which MTY has a presence. Restaurants located in malls outperformed those on street or non-traditional locations during the period, as the weather was abnormally cold in Eastern Canada for a major part of the quarter.

The following table shows quarterly information on same-stores sales growth for the last 13 quarters:



Stock options

During the period, no options were granted or exercised. As at February 28, 2015 there were no options outstanding.

Seasonality

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not be a material factor in the quarterly variation of its results. System sales fluctuate seasonally. During January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sales for shopping mall locations are also higher than average in December during the Christmas shopping period.

Contingent liabilities

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

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of \$45.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics across Canada, 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 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.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements.

Related party transactions

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

Compensation of key management personnel

The remuneration of key management personnel and directors during the period was as follows:

	Three months ended February 28, 2015	Three months ended February 28, 2014
	\$	\$
Short-term benefits	185	183
Board member fees	10	11
Total remuneration of key management personnel	195	194

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

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 26% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	Three months ended February 28, 2015	Three months ended February 28, 2014
	\$	\$
Short-term benefits	106	111
Total remuneration of individuals related to key management personnel	106	111

A corporation owned by individuals related to key management personnel has non-controlling participation in one of the Company's subsidiaries, which has no operations.

Adoption of IFRS standards

The following standards issued by the IASB were adopted by the Company on December 1, 2014.

Amendments to IAS 32, Financial Instruments: Presentation

The amendments to IAS32 clarify the requirements for offsetting a financial asset and liability in the financial statements. The implementation of these amendments did not have a significant impact on the Company's condensed interim consolidated financial statements.

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective for the period ended February 28, 2015, and have not been applied in preparing the condensed interim consolidated financial statements.

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

Effective for annual periods beginning on or after:

IFRS 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from contracts with customers	January 1, 2017	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 replaces the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers.

The Company is in the process of determining the extent of the impact of these standards on its condensed interim consolidated financial statements.

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 light of recent upheaval 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 quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Financial instruments and financial risk exposure

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

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

As at February 28, 2015

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	4,548	-	4,548	4,548
Accounts receivable	16,262	-	16,262	16,262
Loans receivable	629	-	629	629
	21,439	-	21,439	21,439
Financial liabilities				
Line of credit	-	8,874	8,874	8,874
Accounts payable and accrued liabilities	-	16,782	16,782	16,782
Long-term debt ¹	-	9,027	9,027	9,027
	-	34,683	34,683	34,683

As at November 30, 2014

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	6,589	-	6,589	6,589
Accounts receivable	15,987	-	15,987	15,987
Loans receivable	686	-	686	686
	23,262	-	23,262	23,262
Financial liabilities				
Line of credit	-	11,750	11,750	11,750
Accounts payable and accrued liabilities	-	13,214	13,214	13,214
Long-term debt ¹	-	7,849	7,849	7,849
	-	32,813	32,813	32,813

¹ Includes the current portion of long-term debt.

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 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 instruments:

Cash, accounts receivable, accounts payable and accrued liabilities – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable – The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

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 a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at February 28, 2015.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position are net of allowances for bad debts, estimated by Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada limits the concentration of credit risk.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of \$7 (November 30, 2014 - \$9).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company is mainly exposed to foreign exchange risk because of a portion of its credit facilities which is drawn and repayable in US dollars. The amount drawn in US dollars at quarter end was \$1.9 million.

In addition, the Company realizes sales denominated in foreign currencies. The Company's foreign operations use the U.S. dollar as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, other working capital items and the financial obligations of its foreign operations.

Other than the above-mentioned foreign transactions, the Company has minimal exposure to the US\$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in the currency. The Company considers this risk to be relatively limited.

As of February 28, 2015, the Company carried US\$ cash of CAD\$264, net accounts receivable of CAD\$2,522 and net accounts payable of CAD\$902 (CAD\$1,766, CAD\$945 and CAD\$836 as at November 30, 2014). All other factors being equal, a reasonable possible 1% rise in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of \$19 Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with its revolving credit facility and treasury risk facility. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. \$8.9 million of the credit facility was used as at February 28, 2015. A 100 basis points increase in the bank's prime rate would result in additional interest of \$89 per annum on the outstanding credit facility. The Company limits this risk by using short-term banker's acceptance from the credit facility.

Liquidity risk

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at February 28, 2015:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	\$	\$	\$	\$	\$	\$
Line of credit	8,874	8,874	8,874	—	—	—
Accounts payable and accrued liabilities	16,782	16,782	16,782	—	—	—
Long-term debt	9,027	9,298	2,234	2,498	3,891	675
Interest on long-term debt	n/a	174	37	32	52	53
	34,683	35,128	27,927	2,530	3,943	728

Outlook

It is Management's opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go consumers.

In the very short term, management's primary focus will be on restoring positive same-store sales by generating more innovation, focusing on the quality of customer service in each of its outlets and maximizing the value offered to its customers. Management will also focus on finalizing the integration of the recently acquired brands.

The quick service restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offer to consumers.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase its market share.

Subsequent Event

On March 23, 2015, the Company acquired the interest of the non-controlling shareholders of one of its subsidiaries (9286-5591 Quebec Inc., doing business as Thai Zone) for \$0.8 million. Following this transaction, the Company has a 100% ownership of this subsidiary.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Chief Financial Officer have concluded that the design of the disclosure controls and procedures ("DC&P") as at February 28, 2015 provide reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, is reported to them during the preparation of disclosure documents.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal controls over financial reporting. The Company's internal controls 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 Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal controls over financial reporting as at February 28, 2015, have concluded that the Company's internal controls over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at February 28, 2015, no change in the Company's internal controls over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any

control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations of Manchu Wok, Wasabi Grill & Noodle and SenseAsian (acquired December 18, 2014), Madisons (acquired July 18, 2014), Café Dépôt, Muffin Plus, Sushi-Man and Fabrika (acquired October 31, 2014) and Van Houtte Café Bistro (acquired November 7, 2014). Excluding the goodwill created on the acquisitions, these operations respectively represent 5%, 5%, 5% and 1% of the Company's assets (6%, 1%, 2% and 1% of current assets, 4%, 6%, 5% and 1% of non-current assets); they also represent 4%, 22%, 3% and 1% of current liabilities and 6%, 8%, 9% and 0% of long-term liabilities, 11%, 2%, 7% and 2% of the Company's revenues and 2%, 4%, 7% and 4% of the Company's net earnings for the period ended February 28, 2015.

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures 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 three month period ended February 28, 2015, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 0% of the Company's current liabilities, 0% of long-term liabilities, 4% of the Company's revenues and 0% of the Company's net earnings.

"Stanley Ma"

Stanley Ma, Chief Executive Officer

"Eric Lefebvre"

Eric Lefebvre, CPA, CA, MBA Chief Financial Officer