



Source: MTY Food Group Inc.

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**PRESS RELEASE
FOR IMMEDIATE RELEASE**

MTY REPORTS SECOND QUARTER RESULTS

Note that effective December 1, 2018, the Company implemented IFRS 15, Revenue from contracts with customers. Comparative figures provided for each quarter of the year ended November 30, 2018 have been restated to reflect the adoption of this accounting standard. Please refer to the section Changes in accounting policies in the Management's Discussion and Analysis for further details.

- **System sales of \$832.3 million, up 12% compared to Q2-18**
- **Same store sales of +1.4% in Canada, +0.6% in the US and -9.2% in international markets**
- **EBITDA of \$34.1 million, up 1.2% compared to Q2-18**
- **Second consecutive quarter with organic growth in EBITDA, which was 1.0% in Q2-19**
- **Normalized EBITDA of \$38.2 million, up 11.2% compared to Q2-18**
- **Normalized free cash flows of \$25.8 million, up 5.3% compared to Q2-18**
- **At the end of the quarter, the network had 7,345 locations in operation**
- **Net income attributable to shareholders for Q2-19 of \$19.3 million or \$0.76 per share**
- **Acquired, for a total consideration of \$255.2 million, all of the outstanding shares of Papa Murphy's on May 23, 2019**
- **Acquired, for a total consideration of approximately \$4.1 million, the assets of South Street Burger on March 21, 2019**
- **Entered into an agreement to acquire the assets of Allô! Mon Coco on April 30, 2019**
- **Entered into an agreement to acquire the assets of Yuzu Sushi on June 06, 2019**

Montreal, July 12, 2019 - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), franchisor and operator of multiple concepts of restaurants, reported today its results for the second quarter ended May 31, 2019.

"For the second quarter, we are pleased to report that our consolidated same store sales were positive at 0.6%, reflecting growth of 1.4% and 0.6% in Canada and the U.S. respectively, while International sales remained negative. In Canada, this was the seventh consecutive quarter in which we achieved positive same store sales growth. In the U.S., our comparable store performance turned positive, reflecting an improvement on the West Coast. Performance on the East Coast remained strong. System sales reached \$832.3 million, up 12% while net organic change was positive for the quarter and essentially flat year-to-date," said Eric Lefebvre, Chief Executive Officer of MTY.

Normalized EBITDA increased by 11.2% to \$38.2 million with the margin being impacted by changes in the revenue mix. We are also very pleased with our free cash flow generation capabilities, which grew by 5% to \$25.8 million on a normalized basis", concluded Mr. Lefebvre."

| Financial Highlights (in thousands of \$, except per share information and margin) | Q2-2019 | Q2-2018 (restated for IFRS 15) | Six months 2019 | Six months 2018 (restated for IFRS 15) |
|---|---------|-----------------------------------|-----------------|---|
| System Sales ⁽¹⁾ | 832,300 | 744,700 | 1,520,100 | 1,286,200 |
| Revenues | 130,584 | 107,363 | 237,881 | 182,852 |
| EBITDA ⁽¹⁾ | 34,145 | 33,730 | 62,521 | 53,098 |
| Normalized EBITDA ⁽¹⁾ | 38,182 | 34,350 | 66,558 | 54,633 |
| Normalized EBITDA margin (%) ⁽¹⁾ | 29.2% | 32.0% | 28.0% | 29.9% |
| Income before taxes | 24,555 | 21,269 | 43,741 | 32,610 |
| Net income attributable to shareholders | 19,337 | 16,183 | 34,085 | 60,459 |
| Cash flows from operations | 21,077 | 25,422 | 47,834 | 39,125 |
| Free cash flows | 21,767 | 23,883 | 46,681 | 27,407 |
| Normalized free cash flows | 25,804 | 24,503 | 50,718 | 28,942 |
| EPS basic and diluted | 0.76 | 0.64 | 1.35 | 2.60 |
| Normalized basic EPS | 0.89 | 0.66 | 1.47 | 1.53 |

(1) This is a non-IFRS measure. Please refer to the "Non-IFRS Measures" section at the end of this press release.

SECOND QUARTER RESULTS

Network:

- At the end of the period, MTY's network had 7,345 locations in operation, of which 181 were corporate and 7,164 were franchised. The geographical split of MTY's locations varied this quarter with 56% in the United States, 37% in Canada and 7% international.
- System sales were up 12% compared to the corresponding period in 2018, reaching \$832.3 million. The growth is primarily attributable to recent acquisitions.
- Same store sales increased by 0.6% compared to the same period last year. Canadian same-store sales were up 1.4%, making this the seventh consecutive quarter of positive growth. Ontario continues to show positive same store sales growth with growth of 1.1%. British Columbia also continues on the momentum gained last year and posted positive results of over 6%. Quebec and the Maritimes saw a turnaround and grew 1.2% and 2.9% respectively. Same-store sales in the United States increased 0.6%. The West Coast, which represents 49% of total US system sales, had positive growth of 0.4% and the East Coast continued to see positive growth with a 2.9% increase.

Financial:

- The Company's revenue increased 21.6%, from \$107.4 million to \$130.6 million, mainly due to the increase in sales to retail channels and the acquisition of Casa Grecque.
- Cost of sales and other operating expenses increased 31%, from \$73.7 million to \$96.5 million, mainly driven by acquisitions and an increase in professional fees predominantly resulting from the acquisition of Papa Murphy's.
- EBITDA increased 1.2% to \$34.1 million, or 26.1% of sales, as compared to \$33.7 million, or 31.4% of sales for the same period last year.

- Normalized EBITDA increased 11.2% to \$38.2 million, or 29.2% of sales, as compared to \$34.4 million, or 32.0% of sales for the same period last year.
- Net income attributable to shareholders increased to \$19.3 million, or \$0.76 per share (\$0.76 per diluted share), when compared to \$16.2 million, or \$0.64 per share (\$0.64 per diluted share), for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

- In the second quarter of 2019, cash flows generated by operating activities were \$21.1 million, compared to \$25.4 million for the same period in 2018. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated \$34.7 million in cash flows in the second quarter of 2019, up 1.7% compared to \$34.2 million for the corresponding period in 2018, mostly due to an increase in EBITDA.
- In the second quarter of 2019, the Company modified its existing credit facilities payable to a syndicate group of lenders. The modification resulted in an increase to the revolving credit facility which now has an authorized amount of \$650.0 million (November 30, 2018 - \$500,000), of which \$513.7 million was drawn at May 31, 2019 (November 30, 2018 - \$256.1 million).
- As at May 31, 2019, the Company had \$47.5 million of cash on hand, and a long-term debt of \$526.5 million in the form of holdbacks on acquisition and bank facilities.

ACQUISITIONS

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

On March 21, 2019 the Company acquired the assets of South Street Burger for a total consideration of approximately \$5.1 million. A total of approximately \$4.1 million was paid on closing, financed from MTY's cash on hand and existing credit facilities, while \$0.2 million in net liabilities was assumed and \$0.7 million was held back. At closing, there were 24 franchised restaurants and 13 corporate restaurants in operation.

SUBSEQUENT EVENTS

On April 30, 2019, the Company has signed an agreement to acquire the assets of Allô! Mon Coco, a rapidly growing chain of gourmet breakfast and lunch restaurants. The Allô! Mon Coco network currently has 39 franchised restaurants in operation, 38 of which are located in the province of Quebec and 1 in the Province of Ontario.

On June 6, 2019, the Company has signed an agreement to acquire the assets of Yuzu Sushi, a fast-growing chain of sushi restaurants. The Yuzu Sushi network currently has 132 points of sale in operation, including 68 restaurant franchises, 30 franchised express counters, and 34 complementary grocery outlets. The acquisition is expected to be completed within 45 days of the announcement.

CONFERENCE CALL

MTY Group will hold a conference call to discuss these results on July 12, 2019, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the

passcode 9273856. This recording will be available on Friday, July 12, 2019 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, July 19, 2019.

ABOUT MTY FOOD GROUP INC.

MTY Group franchises and operates quick-service and casual dining restaurants under approximately 75 different banners in Canada, the United States and internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 35 years, it has been increasing its presence by delivering new concepts in quick-service restaurants and making acquisitions and strategic alliances that have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With over 7,300 locations, the many flavours of the MTY Group have the key to responding to the different tastes and needs of consumers today and tomorrow.

NON-IFRS FINANCIAL MEASURES

EBITDA (earnings before interest, taxes, depreciation and amortization), same-store sales growth, system sales, operating cash flow before variation in non-cash working capital items, income taxes and interest paid are widely accepted financial indicators but are not a measurement determined in accordance with International Financial Reporting Standards ("IFRS") and may not be comparable to those presented by other companies. The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Refer to the section "Compliance with International Financial Reporting Standards" in the Company's MD&A.

FORWARD-LOOKING STATEMENTS

Certain information in this News Release may constitute "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 or industry results, 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" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this News Release. Except as required by law, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com.

Note to readers: Management's Discussion and Analysis, the consolidated financial statements and notes thereto for the second quarter ended May 31, 2019 are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.