

MTY FOOD GROUP INC.
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July 26, 2016

TSX Trading Symbol: "MTY"

NEWS RELEASE

MTY COMPLETES THE ACQUISITION OF KAHALA BRANDS, LTD.

Montreal, July 26, 2016 - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY) announced today that pursuant to the announcement made on May 25, 2016, that it has acquired all of the shares of Kahala Brands, Ltd. ("Kahala") (www.kahalabrands.com) pursuant to the merger of one of its wholly-owned subsidiaries with and into Kahala.

The total consideration for the transaction is approximately US\$310 million, including US\$240 million cash, and remains subject to post-closing working capital adjustments. Sources of funds include the issuance of 2,253,930 shares of MTY Food Group Inc. to the sellers, C\$30 million of MTY's cash on hand and the remainder coming from MTY's new C\$325 million credit facilities.

At closing, Kahala operates 18 brands in 27 countries, totalling approximately 2,800 locations. The combined entity is expected to produce over C\$2 billion annually in system sales generated by approximately 5,500 franchised and corporate locations.

"This is a turning point in MTY's history", said Mr. Stanley Ma, CEO of MTY. "MTY now has a solid, profitable and scalable platform from which to grow its US and international operations. Moreover, a sizeable, dynamic and talented group of employees is now joining the MTY family. This transactions opens the door to endless opportunities for MTY and its shareholders".

The operations of Kahala will stay in Kahala's current headquarters, located in Scottsdale, Arizona, while MTY's US operations will move into Kahala's offices. Mr. Jeff Smit, Kahala's Chief Operating Officer, will be leading the US operations of the combined entity.

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" 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.

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 expected system sales of the combined entity; potential growth of the Company's US and international operations; the potential impact of the Kahala acquisition on the Company and its shareholders; and the location

of MTY's US operations. 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; future results of Kahala's business and operations meeting or exceeding historical results; the success of the integration of Kahala's operations 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 system sales 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 MTY's 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 July 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.