

MTY FOOD GROUP INC.
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NEWS RELEASE

MTY REPORTS RESULTS FOR THE SECOND QUARTER OF ITS 2018 FISCAL PERIOD

Montreal, July 11, 2018 - MTY Food Group Inc. (“MTY” or the “Company”) (TSX: MTY), franchisor and operator of multiple concepts of restaurants, reports today the results of its operations for the second quarter of its 2018 fiscal year.

Highlights of the second quarter of the 2018 fiscal year:

ACQUISITIONS

On March 1, 2018, the Company, through the merger of a wholly-owned subsidiary with Imvescor Restaurant Group Inc. (“IRG”), acquired all the outstanding shares of IRG. The total consideration for the transaction was \$249.5 million, of which \$ 52.4 million was settled in cash and the remaining in shares. At closing IRG operated 5 brands in Canada and had 261 locations in operation.

On March 15, 2018, one of the Company’s wholly-owned subsidiaries acquired the assets of Grabbagreen®. The total consideration amounted to \$ 3.4 million (US\$ 2.6 million), of which \$3.1 million (US\$2.4 million) was paid on closing. At closing, there were 27 locations in operation in the United States.

On April 4, 2018, one of the Company’s wholly-owned subsidiaries acquired the assets of Timothy’s World Coffee® and Mmmuffins®. The total consideration amounted to \$1.5 million, of which \$1.2 million was paid on closing. At closing, there were 39 locations in operation in Canada.

EBITDA AND NET INCOME

- EBITDA for the second quarter was \$35.5 million, a historical high for the Company. For the first six months of 2018, EBITDA has reached \$55.4 million, a growth of \$14.5 million. Of the \$55.4 million, \$34.6 million was generated in Canada and \$20.8 million in the US.
- The year to date growth of \$14.5 million included \$11.1 million from acquisitions while \$3.4 million was realized organically.
- Net income attributable to owners for the quarter increased by 13%, to \$18.0 million or \$0.72 per share (\$0.72 per diluted share) when compared to \$16.0 million or \$0.75 per share (\$0.75 per diluted share) for the same period last year.
- Normalizing for the non-recurring impacts of a foreign exchange gain in the second quarter of 2017 and of charges related to impairment and revaluation of liabilities affecting 2018, net income attributable to owners would have increased from \$9.2 million in 2017 (\$0.43 per share and per diluted share) to \$19.8 million (\$0.79 per share and per diluted share) in 2018.

NETWORK SALES

- System sales for the second quarter of 2018 were up 23% compared to 2017, reaching \$744.7 million. For the first half of 2018, sales were \$1,287.2 million, up 15% compared to the same period the year before. The growth is attributable to recent acquisitions and was realized despite the adverse impact of the variation in foreign exchange rates.

- Same store sales for the quarter were unchanged compared to the same period last year. Canadian sales grew by 1.8%, with most territories showing positive results, with the exception of Saskatchewan. Sales in the United States declined by 1.6%, affected by the adverse impact of cooler than normal weather in some regions more importantly in March and April.
- In the United States, the network's largest market, the state of California experienced a decline of 5.5% following a growth of 5.1% in the first quarter. The states of Florida, New York and Utah, three of the network's biggest markets, were all positive during the second quarter.
- For the first half, same store sales have increased 0.2%, with Canada growing 1.4% and the United States declining 0.7%.
- At the end of the period, MTY's network had 5,734 locations in operation, of which 85 were corporate and 5,649 were franchised. The geographical split of MTY's locations remained steady with 44% in the United States, 47% in Canada and 9% abroad.
- Same store sales for Imvescor restaurants, which are not included in the consolidated same store sales, have grown by 4.2% since the closing of the transaction on March 1st, 2018.

LIQUIDITY AND CAPITAL RESOURCES

- At the end of the quarter, the Company had \$45.7 million of cash on hand, and a long-term debt of \$292.6 million in the form of holdbacks on acquisition and bank facilities. Factoring in the \$11.6 million of holdbacks payable had been presented as income taxes payable, total net debt is currently \$258.5 million
- Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated \$35.9 million in cash flows during the second quarter of 2018, compared to \$27.6 million in 2017.

SELECTED FINANCIAL INFORMATION

(in thousands of \$, except per share information)

	Three-month period ended May 31			Six-month period ended May 31		
	2018	2017	Variance	2018	2017	Variance
Revenues	89,829	69,962	28%	153,544	133,978	15%
Operating expenses	54,323	45,367	20%	98,126	93,047	5%
EBITDA	35,506	24,595	44%	55,418	40,931	35%
Amortization and depreciation charges	7,312	6,284	16%	12,910	12,824	1%
Interest on long-term debt	3,219	2,444	32%	5,666	5,145	10%
Foreign exchange gain	89	5,984	(99%)	49	619	(92%)
Other income and (charges), including interest	(2,019)	577	n/a	(1,961)	963	n/a
Income before taxes	23,045	22,428	3%	34,930	25,544	37%

Net income attributable to shareholders	18,040	16,033	13%	63,372	18,048	251%
Basic and diluted EPS	\$0.72	\$0.75		\$2.72	\$0.84	
Normalized net income attributable to shareholders	19,776	9,235	114%	28,908	16,834	72%
Normalized and diluted EPS	\$0.79	\$0.43		\$1.24	\$0.79	

Note: These are financial highlights only. Management's Discussion and Analysis, the condensed interim consolidated financial statements and notes thereto for the quarter ended May 31, 2018 are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.

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.

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 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.