Management's Discussion and Analysis
For the fiscal year ended November 30, 2019

General

This Management's Discussion and Analysis of the financial position and financial performance ("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 for the fiscal year ended November 30, 2019.

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 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, 2018.

This MD&A was prepared as of February 23, 2020. 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 2019. 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 as at February 23, 2020 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 February 23, 2020. 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 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 information on contingent liabilities and contingent assets 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; volatility in foreign exchange rates or borrowing rates; foodborne illness; 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 February 23, 2020. The financial impact of these transactions and non-recurring and other special items can be complex and depend 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 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. Same store sales growth provides information on the comparative performance of the restaurants in our network from one period to the next.

Similarly, the Company uses system sales to evaluate the size and performance of MTY's network, as well as to indicate its income-generation potential. System sales include the sales of existing restaurants, of the ones that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with IFRS and may not be comparable to those presented by other companies. These non-IFRS 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 IFRS.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes 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 and system sales provide additional information to investors about the performance of the network that is not available under IFRS. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the fiscal year

Acquisition of Allô! Mon Coco

On July 19, 2019, the Company's Canadian operations completed its acquisition of the assets of Allô! Mon Coco for a total consideration of $30.7 million. A total of approximately $24.1 million was paid on closing, financed from MTY's cash on hand and existing credit facility, while $0.2 million in net liability was assumed and $7.1 million was held back in the form of contingent consideration and holdbacks. At closing, there was 40 franchised restaurants in operation.

Acquisition of Yuzu Sushi

On July 15, 2019, the Company's Canadian operations completed its acquisition of the assets of Yuzu Sushi for a total consideration of $27.6 million. A total of approximately $25.4 million was paid on closing, financed from MTY's cash on hand and existing credit facility and $2.2 million was held back in the form of contingent consideration. At closing, there was 129 franchised restaurants in operation.

Acquisition of Papa Murphy

On May 23, 2019, the Company, through the merger of a wholly-owned US subsidiary with Papa Murphy's Holdings 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.

Acquisition of South Street Burger

On March 21, 2019 the Company acquired the assets of South Street Burger for a total consideration of approximately $4.9 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.

Acquisition of Casa Grecque

On December 10, 2018, the Company completed its acquisition of most of the assets of Casa Grecque for a total consideration of $22.0 million, of which $20.9 million was financed from MTY's cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $1.3 million was held back.

Restatement of comparatives

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. The adjustments to the consolidated statements of financial position and income statement as a result of the adoption of IFRS 15 are discussed further in the *Changes in accounting policies* section.

Core business

MTY franchises and operates quick service and casual dining restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", 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, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Houston Avenue Bar & Grill and Industria Pizzeria + Bar, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins and SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, La Boite Verte and Eat Pure.

As at November 30, 2019, MTY had 7,373 locations in operation, of which 7,229 were franchised or under operator agreements and the remaining 144 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities, grocery stores, and food-truck carts. The street front locations are mostly made up of the Country Style, La Crémière, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita, Mucho Burrito, Madisons, Houston Avenue Bar & Grill, Industria Pizzeria + Bar, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Blimpie, Cold Stone Creamery, Baja Fresh Mexican Grill, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Scores, Pizza Delight, Toujours Mikes, Ben & Florentine, Grabbagreen, Casa Grecque, South Street Burger, Papa Murphy's and Allô! Mon Coco. La Crémière, "TCBY", La Diperie and SweetFrog operate primarily from April to September and the other banners generally 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), Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori, O'Burger, Tosto, La Boite Verte and Eat Pure.

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the United States	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Houston Avenue Bar & Grill and Industria Pizzeria + Bar	June 2017	80%	12	—
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—

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, promotional funds revenue, franchise fees, sales of turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services. 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 turnkey projects, rent, supplies, finished products and equipment sold.

Revenues from corporate-owned locations include sales generated from corporate-owned locations. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenues from the sale of retail products under various brand names which are sold at various retailers. The Company also generates revenue from its distribution centers that serves primarily the Valentine and Casa Grecque franchisees.

Description of recent acquisitions

On July 19, 2019, the Company's Canadian operations completed its acquisition of the assets of Allô! Mon Coco for a total consideration of $30.7 million. A total of approximately $24.1 million was paid on closing, financed from MTY's cash on hand and existing credit facility, while $0.2 million in net liability was assumed and $7.1 million was held back in the form of contingent consideration and holdbacks. At closing, there was 40 franchised restaurants in operation.

On July 15, 2019, the Company's Canadian operations completed its acquisition of the assets of Yuzu Sushi for a total consideration of $27.6 million. A total of approximately $25.4 million was paid on closing, financed from MTY's cash on hand and existing credit facility and $2.2 million was held back in the form of contingent consideration. At closing, there was 129 franchised restaurants in operation.

On May 23, 2019, the Company, through the merger of a wholly-owned US subsidiary with Papa Murphy's Holdings 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 $4.9 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.

On December 10, 2018, the Company completed its acquisition of most of the assets of Casa Grecque for a total consideration of $22.0 million, of which $20.9 million was financed from MTY's cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $1.3 million was held back.

On September 25, 2018, the Company announced that it had completed the acquisition of substantially all of the assets of SweetFrog Premium Frozen Yogurt for $41.5 million (US$ 32.1 million). Of this total, $37.4 million (US$ 28.9 million) was paid on closing. At closing, there were 323 franchised/licensed locations in the US and 8 located internationally.

On September 7, 2018, the Company acquired the remaining 10% non-controlling interest of 8825726 Canada Inc. (Madison's) for a cash consideration of $1.1 million.

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 $1.3 million, of which $1.2 million was paid on closing. At closing, there were 39 locations in operation in Canada.

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 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 $250.8 million, of which $53.1 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 December 1, 2017, the Company announced that it had completed the acquisition of the limited liability company interests in CB Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $30.0 million (US$ 23.5 million) of which $28.3 million (US$ 22.2 million) was settled in cash. At closing 41 franchised and 3 corporately owned restaurants were in operation. The network has locations in the United States of America, Canada, Ghana, Ireland, Japan, Mexico, Saudi Arabia and the United Kingdom.

Selected annual information

(in thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2019**	**Year ended November 30, 2018** *As adjusted (1)(2)*	**Year ended November 30, 2017** *As adjusted (1)(4)*
Total assets	1,648,768	1,239,520	859,241
Total long-term financial liabilities	536,058	268,200	223,567
Operating revenue	550,942	412,346	276,083
EBITDA(3)	147,395	124,851	93,726
Income before income taxes	97,997	80,008	62,664
Income before taxes, excluding impairment charges and reversals	100,616	85,539	63,664
Net income attributable to owners	77,675	95,776	49,507
Total comprehensive income attributable to owners	76,489	109,327	33,747
EPS basic	3.09	3.95	2.32
EPS Diluted	3.08	3.95	2.32
Dividends paid on common stock	16,173	14,530	9,832
Dividends per common share	$0.66	$0.60	$0.46
Weighted daily average number of common shares	25,145,210	24,228,206	21,374,497
Weighted average number of diluted common shares	25,186,483	24,272,650	21,374,497

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

(2) Figures have been restated to reflect changes to the preliminary purchase price allocations of SweetFrog and Imvescor Restaurant Group Inc. These purchase price allocations are now final. For more information, see note 7 to the November 30, 2019 consolidated financial statements.

(3) 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. See reconciliation of EBITDA to Income before taxes on page 14.

(4) Operating revenue, EBITDA, net income and comprehensive income attributable to owners and EPS amounts for the period have not been restated to reflect the adoption of IFRS 15.

Summary of quarterly financial information

	Quarters ended							
(in thousands $, except EPS)	**February 2018[3]**	**May 2018[3]**	**August 2018[3]**	**November 2018[3]**	**February 2019**	**May 2019**	**August 2019**	**November 2019**
Revenue	$75,489	$107,363	$113,006	$116,488	$107,297	$130,584	$163,057	$150,004
EBITDA[1]	$19,368	$33,730	$38,759	$32,994	$28,376	$34,145	$41,847	$43,027
Normalized EBITDA [2]	$20,283	$34,350	$38,876	$33,062	$28,376	$38,182	$42,077	$43,027
Net income attributable to owners	$44,276	$16,183	$22,077	$13,240	$14,748	$19,337	$22,902	$20,688
Total comprehensive income (loss) attributable to owners	$42,630	$20,489	$25,407	$20,801	$10,657	$32,476	$10,469	$22,887
Earnings per share	$2.07	$0.64	$0.88	$0.53	$0.59	$0.76	$0.91	$0.83
Earnings per diluted share	$2.07	$0.64	$0.88	$0.53	$0.58	$0.76	$0.91	$0.83
Free cash flows [1]	$13,524	$23,883	$27,733	$27,458	$24,914	$21,767	$26,680	$43,577

(1) EBITDA (income before income taxes, interest, depreciation and amortization) and free cash flow are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they may not be comparable to similar measures presented by other companies. See reconciliation of EBITDA to Income before taxes on page 14. Free cash flow is defined as operating cash flows less capital expenditure.

(2) Normalized EBITDA is EBITDA before transaction costs related to acquisitions.

(3) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Segment note disclosure

Management monitors and evaluates results of the Company based on geographical segments; these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss which is equal to revenue less operating expenses. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include franchising, corporate store, food processing, retail and distribution and promotional funds revenues and expenses.

Results of operations for the fiscal year ended November 30, 2019

Revenue

During the 2019 fiscal year, the Company's total revenue increased to $550.9 million, from $412.3 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2019 ($ millions)	November 30, 2018 [(1)] ($ millions)	Variation
Canada	Franchise operation	146.6	136.9	7%
	Corporate stores	39.1	34.9	12%
	Food processing, distribution and retail	91.5	46.7	96%
	Promotional funds	42.5	35.4	20%
	Intercompany transactions	(4.2)	(4.3)	N/A
Total Canada		315.5	249.6	26%
USA & International	Franchise operation	138.8	106.0	31%
	Corporate stores	51.2	24.9	106%
	Food processing, distribution and retail	4.2	3.5	20%
	Promotional funds	43.0	28.6	50%
	Intercompany transactions	(1.8)	(0.3)	N/A
Total USA/International		235.4	162.7	45%
Total operating revenues		**550.9**	**412.3**	**34%**

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Canada revenue analysis:

Revenues from franchise locations in Canada increased by 7%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, 2018 fiscal year	136.9
Increase in recurring revenue streams	2.5
Increase in initial franchise fees, renewal fees and transfer fees	0.9
Decrease in turnkey, sales of material to franchisees and rent revenues	(7.3)
Decrease due to gift card breakage income	(0.3)
Increase due to the acquisitions	14.4
Other non-material variations	(0.5)
Revenues, 2019 fiscal year	146.6

Revenue from corporate-owned locations increased by 12% to $39.1 million during the period. The increase is mainly attributable to the addition of 13 corporate owned restaurants through the acquisition of South Street Burger at the beginning of the second quarter of this year.

Food processing, distribution and retail revenues have almost doubled during 2019. Of the total increase of $44.8 million, $13.9 million stems from organic growth in the Company's retail channel sales. Casa Grecque's combined food processing and distribution sales for the period represent $19.7 million of the increase and the remaining stems from IRG's first quarter of 2019 contribution.

USA/International revenue analysis:

Revenues from franchise locations in the US increased by 31%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, 2018 fiscal year	106.0
Decrease in recurring revenue streams	(0.1)
Increase in initial franchise fees, renewal fees and transfer fees	0.6
Decrease due to the sale of material and services to franchisees	(3.6)
Increase due to gift card breakage income	0.3
Increase due to acquisitions	31.7
Impact of variation in foreign exchange rates	2.9
Other non-material differences	1.0
Revenues, 2019 fiscal year	138.8

Excluding the impact of Papa Murphy's, corporate owned locations revenue decreased by $8.3 million during the year as a result in a decrease in the number of corporate locations.

Cost of sales and other operating expenses

During the 2019 fiscal year operating expenses increased by 40% to $403.5 million, up from $287.5 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2019 ($ millions)**	**November 30, 2018 (1) ($ millions)**	**Variation**
Canada	Franchise operation	68.4	61.6	11%
	Corporate stores	40.7	35.3	15%
	Food processing, distribution and retail	81.2	40.0	103%
	Promotional funds	42.5	35.4	20%
	Intercompany transactions	(3.0)	(2.9)	N/A
Total Canada		229.8	169.4	36%
USA & International	Franchise operation	76.6	62.1	23%
	Corporate stores	57.1	29.1	96%
	Promotional funds	43.0	28.6	50%
	Intercompany transactions	(3.0)	(1.7)	N/A
Total USA/International		173.7	118.1	47%
Total cost of sales and other operating expenses		**403.5**	**287.5**	**40%**

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada increased by $6.8 million or 11%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, fiscal year 2018	61.6
Increase in recurring expenses	5.4
Decrease in cost of sale of material and services to franchisees	(9.0)
Increase due to professional and consulting fees	3.6
Increase due to acquisitions	5.8
Other non-material differences	1.0
Cost of sales and other operating expenses, fiscal year 2019	68.4

Professional and consulting fees increased by $3.6 million mainly as a result of additional acquisition transaction costs which represent $1.1 million as well as additional consulting fees with regards to the implementation of IFRS 9 – financial instruments, IFRS 15 – revenue from contracts with customers and IFRS 16 – leases for a total of $0.7 million.

The variation of expenses from the corporate stores and food processing, distribution and retail as well as promotional funds expenses activities were tightly correlated to the related revenues.

USA/International cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in the USA/International increased by $14.5 million or 23%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, fiscal year 2018	62.1
Decrease in recurring expenses	(3.2)
Decrease in cost of sale of material and services to franchisees	(2.1)
Increase due to professional and consulting fees	2.5
Increase due to acquisitions	16.0
Impact of variation in foreign exchange rates	2.1
Other non-material differences	(0.8)
Cost of sales and other operating expenses, fiscal year 2019	76.6

The increase in professional fees results from the acquisition of Papa Murphy's.

The variations from corporate stores costs and promotional funds fluctuated in correlation to the related revenues.

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

Fiscal year ended November 30, 2019			
(In millions $)	Canada	USA & International	Total
Revenues	315.5	235.4	550.9
Expenses	229.8	173.7	403.5
EBITDA(1)	85.7	61.7	147.4
EBITDA as a % of Revenue	27%	26%	27%

Fiscal year ended November 30, 2018 (2)			
(In millions $)	Canada	USA & International	Total
Revenues	249.6	162.7	412.3
Expenses	169.4	118.1	287.5
EBITDA(1)	80.2	44.6	124.8
EBITDA as a % of Revenue	32%	27%	30%

(1) 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. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 14.

(2) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Below is a summary of performance segmented by product/service:

	Fiscal year ended November 30, 2019					
(In millions $)	Franchise	Corporate	Food processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	285.4	90.3	95.7	85.5	(6.0)	550.9
Expenses	145.0	97.8	81.2	85.5	(6.0)	403.5
EBITDA(1)	140.4	(7.5)	14.5	—	—	147.4
EBITDA as a % of Revenue	49%	N/A	15%	N/A	N/A	27%

	Fiscal year ended November 30, 2018 (2)					
(In millions $)	Franchise	Corporate	Food processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	242.9	59.8	50.2	64.0	(4.6)	412.3
Expenses	123.7	64.4	40.0	64.0	(4.6)	287.5
EBITDA(1)	119.2	(4.6)	10.2	—	—	124.8
EBITDA as a % of Revenue	49%	N/A	20%	N/A	N/A	30%

(1) 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. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 14.

(2) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	USA & International	Total
EBITDA, fiscal year of 2018	80.2	44.6	124.8
Variance in recurring revenues and expenses	(2.9)	3.1	0.2
Decrease due to change in corporate store EBITDA	(0.1)	(0.5)	(0.6)
Increase in initial franchise fees, renewal fees and transfer fees	0.9	0.6	1.5
Variance due to the sale of material and services to franchisees	2.6	(0.9)	1.7
Variance due to professional and consulting fees	(2.6)	0.9	(1.7)
Variance due to gift card breakage income	(0.3)	0.3	—
Increase due to acquisitions	10.2	16.2	26.4
Decrease due to acquisition consulting fees	(1.1)	(3.4)	(4.5)
Impact of variation in foreign exchange rates	—	1.1	1.1
Other non-material differences	(1.2)	(0.3)	(1.5)
EBITDA, fiscal year of 2019	85.7	61.7	147.4

Total EBITDA for the year ended November 30, 2019 was $147.4 million, an increase of 18% compared to the same period last year. Canada contributed to 58% of total EBITDA and 24% of the total increase in EBITDA, mainly owing to the acquisitions realized in 2018 and 2019 of which IRG was the largest contributor. During the first quarter of 2019, it contributed to the growth in EBITDA by $4.9 million which is not comparable to 2018 since IRG was only acquired in the second quarter of 2018.

The USA & International EBITDA grew by 38% mainly as a result of the 2018 and 2019 acquisitions as well as the sale and closure of some unprofitable corporate stores. Papa Murphy's contributed to 52% of the total EBITDA growth. Foreign exchange fluctuations also had a $1.1 million favourable impact on EBITDA year-to-date.

The Company had relatively unchanged year-over-year adjusted organic EBITDA(1) growth. Several factors contributed to the variation, as listed below:

(In millions $)	Canada	USA & International	Total
Adjusted organic EBITDA(1), fiscal year 2018	80.2	44.6	124.8
Variance in recurring revenues and expenses	(2.9)	3.1	0.2
Decrease due to change in corporate store EBITDA	(0.1)	(0.5)	(0.6)
Increase in initial franchise fees, renewal fees and transfer fees	0.9	0.6	1.5
Variance due to the sale of material and services to franchisees	2.6	(0.9)	1.7
Variance due to professional and consulting fees	(2.6)	0.9	(1.7)
Variance due to gift card breakage income	(0.3)	0.3	—
Other non-material differences	(1.2)	(0.3)	(1.5)
Adjusted organic EBITDA(1), fiscal year 2019	76.6	47.8	124.4

(1) Adjusted organic 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. Adjusted organic EBITDA is defined as EBITDA before non-recurring costs, foreign exchange and acquisitions that have occurred within the last 24 months and is not comparable year-over-year.

Net income

For the year ended November 30, 2019, net income attributable to owners decreased to $77.7 million or $3.09 per share ($3.08 per diluted share) compared to $95.8 million or $3.95 per share ($3.95 per diluted share) last year.

Excluding the impact of a non-recurring acquisition costs in 2019 and 2018 as well as a favorable 2018 deferred income tax recovery adjustment related to prospective income tax rates for the United States, net income attributable to owners would have been $82.1 million in 2019 or $3.27 per share ($3.26 per diluted share) versus $61.5 million in 2018, or $2.54 per share ($2.54 per diluted share).

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

	Year ended November 30, 2019	Year ended November 30, 2018 [(1)]
Income before taxes	98.0	80.0
Depreciation – property, plant and equipment	4.0	2.8
Amortization – intangible assets	29.2	24.7
Interest on long-term debt	17.6	11.7
Impairment on property, plant and equipment and intangible assets	2.6	5.5
Unrealized and realized foreign exchange gain	(0.4)	—
Interest income	(0.9)	(0.7)
Gain on disposal of property, plant and equipment and intangible assets	(2.3)	(0.7)
Gain (loss) on revaluation of financial liabilities recorded at fair value through profit and loss	(0.9)	1.5
Loss on settlement of promissory notes	0.5	—
EBITDA	**147.4**	**124.8**

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Other income and charges

Amortization of intangible assets increased as a result of the 2019 acquisitions and the intangibles added as part of the purchase price.

During the year, as the result of a decline in their financial performance, the Company carried out a review of the recoverable amounts of the capital assets related to certain corporate stores and of intangible assets related to multiple concepts. The review led to the recognition of a non-cash impairment loss of $2.6 million. This was composed of $1.0 million, $1.4 million and $0.2 million impairments in leasehold improvements and equipment, franchise rights and trademarks respectively.

Results of operations for the three-month period ended November 30, 2019

Revenue

During the fourth quarter of the 2019 fiscal year, the Company's total revenue increased by 29% to reach $150.0 million. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2019 ($ millions)	November 30, 2018 [(1)] ($ millions)	Variation
Canada	Franchise operation	42.2	46.9	(10%)
	Corporate stores	9.7	9.6	1%
	Food processing, distribution and retail	19.1	14.9	28%
	Promotional funds	10.9	9.8	11%
	Intercompany transactions	(2.3)	(2.4)	N/A
Total Canada		79.6	78.8	1%
USA & International	Franchise operation	39.4	26.0	52%
	Corporate stores	19.3	4.2	360%
	Food processing, distribution and retail	1.1	1.0	10%
	Promotional funds	12.2	6.5	88%
	Intercompany transactions	(1.6)	(0.1)	N/A
Total USA/International		70.4	37.6	87%
Total operating revenues		**150.0**	**116.4**	**29%**

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Canada revenue analysis:

Revenue from franchise locations in Canada decreased by 10%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, fourth quarter of 2018	46.9
Increase in recurring revenue streams	1.1
Increase in initial franchise fees, renewal fees and transfer fees	0.1
Decrease in turnkey, sales of material to franchisees and rent revenues	(10.2)
Increase due to the acquisitions	3.8
Other non-material differences	0.5
Revenues, fourth quarter of 2019	42.2

Revenue from corporate-owned locations increased by 1%, to $9.7 million during the three-month period. The increase is mainly due to sales from the 13 corporate owned locations acquired from the acquisition of South Street Burger. This was partially offset by the sale and closure of some corporate-owned locations.

For the quarter, food processing, distribution and retail revenues increased by $4.2 million or 28% compared to prior year mainly as a result of the acquisition of Casa Grecque.

USA/International revenue analysis:

Revenues from franchise locations in the US increased by 52%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, fourth quarter of 2018	26.0
Increase in recurring revenue streams	0.7
Decrease in initial franchise fees, renewal fees and transfer fees	(0.1)
Decrease in sales of material and services to franchisees	(1.6)
Increase due to gift card breakage income	0.7
Increase due to acquisitions	11.1
Impact of variation in foreign exchange rates	0.8
Other non-material differences	1.8
Revenues, fourth quarter of 2019	39.4

Excluding the impact of Papa Murphy's corporate-owned locations, revenue from corporate-owned locations decreased by $3.4 million during the quarter. This was due to a sharp decrease in the number of corporate owned locations when compared to the same quarter last year.

Cost of sales and other operating expenses

During the fourth quarter of 2019, operating expenses increased by 28%. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2019 ($ millions)	November 30, 2018 [1] ($ millions)	Variation
Canada	Franchise operation	18.9	23.9	(21%)
	Corporate stores	10.0	9.8	2%
	Food processing, distribution and retail	16.3	13.1	24%
	Promotional funds	10.9	9.8	11%
	Intercompany transactions	(0.9)	(0.8)	N/A
Total Canada		55.2	55.8	(1%)
USA & International	Franchise operation	17.9	17.6	2%
	Corporate stores	24.7	5.2	375%
	Promotional funds	12.2	6.5	88%
	Intercompany transactions	(3.0)	(1.7)	N/A
Total USA/International		51.8	27.6	88%
Total cost of sales and other operating expenses		**107.0**	**83.4**	**28%**

(1) Figures have been restated to reflect the adoption of IFRS 15. Refer to Changes in accounting policies for further details.

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $5.0 million or 21%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, fourth quarter of 2018	23.9
Increase in recurring expenses	2.5
Decrease in cost of sale of material and services to franchisees	(11.2)
Increase due to professional and consulting fees	1.8
Increase due to acquisitions	1.8
Other non-material differences	0.1
Cost of sales and other operating expenses, fourth quarter of 2019	18.9

Professional and consulting fees increased by $1.8 million mainly as a result of additional consulting fees with regards to the implementation of IFRS 16.

The variation of expenses from the corporate stores and food processing, distribution and retail as well as promotional funds expenses activities were tightly correlated to the related revenues.

USA/International cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in the USA/International increased by $0.3 million or 2%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, fourth quarter of 2018	17.6
Decrease in recurring expenses	(1.1)
Decrease in cost of sale of material and services to franchisees	(1.8)
Decrease due to professional and consulting fees	(0.9)
Increase due to acquisitions	5.5
Impact of variation in foreign exchange rates	(0.1)
Other non-material differences	(1.3)
Cost of sales and other operating expenses, fourth quarter of 2019	17.9

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

Three months ended November 30, 2019

(In millions $)	Canada	USA & International	Total
Revenues	79.6	70.4	150.0
Expenses	55.2	51.8	107.0
EBITDA(1)	24.4	18.6	43.0
EBITDA as a % of Revenue	31%	26%	29%

Three months ended November 30, 2018

(In millions $)	Canada	USA & International	Total
Revenues	78.8	37.6	116.4
Expenses	55.8	27.6	83.4
EBITDA(1)	23.0	10.0	33.0
EBITDA as a % of Revenue	29%	27%	28%

(1) 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. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 19.

Below is a summary of performance segmented by product/service:

Three months ended November 30, 2019

(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	81.6	29.0	20.2	23.1	(3.9)	150.0
Expenses	36.8	34.7	16.3	23.1	(3.9)	107.0
EBITDA[1]	44.8	(5.7)	3.9	—	—	43.0
EBITDA as a % of Revenue	55%	N/A	19%	N/A	N/A	29%

(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
	Three months ended November 30, 2018					
Revenues	72.9	13.8	15.9	16.3	(2.5)	116.4
Expenses	41.5	15.0	13.1	16.3	(2.5)	83.4
EBITDA[1]	31.4	(1.2)	2.8	—	—	33.0
EBITDA as a % of Revenue	43%	N/A	18%	N/A	N/A	28%

(1) 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. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 19.

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	USA & International	Total
EBITDA, fourth quarter of 2018	23.0	10.0	33.0
Variance in recurring revenues and expenses	(1.4)	1.8	0.4
Variance due to change in corporate store EBITDA	0.1	(2.8)	(2.7)
Variance in initial franchise fees, renewal fees and transfer fees	0.1	(0.1)	—
Increase due to the sale of material and services to franchisees	1.9	0.2	2.1
Variance due to professional and consulting fees	(1.9)	1.0	(0.9)
Increase due to gift card breakage income	—	0.7	0.7
Increase due to acquisitions	2.1	6.3	8.4
Impact of variation in foreign exchange rates	—	0.7	0.7
Other non-material differences	0.5	0.8	1.3
EBITDA, fourth quarter of 2019	24.4	18.6	43.0

Total EBITDA for the three-month period ended November 30, 2019 was $43.0 million, an increase of $10.0 million compared to the same period last year. USA operations contributed to 86% of the increase mainly owing to the acquisition of Papa Murphy's.

In Canada, EBITDA for the fourth quarter of 2019 increased by $1.4 million compared to the same period last year mostly due to the acquisitions during 2019. The main contributors to the increase were from the acquisitions of Casa Grecque, Allô! Mon Coco and Yuzu sushi.

The Company had a quarter to date adjusted organic EBITDA(1) increase of $0.9 million. Several factors contributed to the variation, as listed below:

(In millions $)	Canada	USA & International	Total
Adjusted organic EBITDA(1), fourth quarter of 2018	23.0	10.0	33.0
Variance in recurring revenues and expenses	(1.4)	1.8	0.4
Variance due to change in corporate store EBITDA	0.1	(2.8)	(2.7)
Variance in initial franchise fees, renewal fees and transfer fees	0.1	(0.1)	—
Increase due to the sale of material and services to franchisees	1.9	0.2	2.1
Increase due to gift card breakage income	—	0.7	0.7
Variance due to professional and consulting fees	(1.9)	1.0	(0.9)
Other non-material differences	0.5	0.8	1.3
Adjusted organic EBITDA(1), fourth quarter of 2019	22.3	11.6	33.9

(1) Adjusted organic 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. Adjusted organic EBITDA is defined as EBITDA before non-recurring costs, foreign exchange and acquisitions that have occurred within the last 24 months and is not comparable year-over-year.

Net income

For the three-month period ended November 30, 2019, net income attributable to owners increased by $7.4 million, to $20.7 million or $0.83 per share ($0.83 per diluted share) compared to $ 13.2 million or $0.53 per share ($0.53 per diluted share) for the same period last year.

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

(In millions $)	**3 months ended November 30, 2019**	**3 months ended November 30, 2018**
Income before taxes	25.5	18.8
Depreciation – property, plant and equipment	1.5	0.7
Amortization – intangible assets	7.9	6.6
Interest on long-term debt	5.7	2.9
Impairment charge on property, plant and equipment and intangible assets	1.6	4.0
Interest income	(0.4)	(0.2)
Gain on disposal of property, plant and equipment and intangible assets	(0.6)	(0.2)
Loss on revaluation of financial liabilities recorded at fair value through profit and loss	1.4	0.3
Loss on settlement of promissory notes	0.5	—
EBITDA	**43.1**	**32.9**

Other income and charges

Interest on long-term debt increased to $5.7 million from $2.9 million during the three-month period as a result of the interest on the credit facilities, from which the company has drawn additional funds since the second quarter of 2019.

Depreciation and amortization both increased significantly due to recent acquisitions.

During the fourth quarter, as the result of a decline in their financial performance, the Company carried out a review of the recoverable amounts of intangibles related to multiple concepts. The review led to the recognition of a non-cash impairment loss of $1.6 million composed of franchise rights and trademarks.

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 *(in millions $)*	Long-term debt(1)	Net lease commitments	Total contractual obligations
12 months ending November 2020	5.1	14.3	19.4
12 months ending November 2021	11.2	12.8	24.0
12 months ending November 2022	526.3	11.4	537.7
12 months ending November 2023	—	9.8	9.8
12 months ending November 2024	—	6.9	6.9
Balance of commitments due after 2024	—	20.2	20.2
	542.6	**75.4**	**618.0**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the November 30, 2019 consolidated financial statements.

Long-term debt includes interest-bearing loans related to acquisitions, promissory notes, contingent consideration on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.

Liquidity and capital resources

As of November 30, 2019, the amount held in cash totaled $50.7 million, an increase of $18.4 million since the end of the 2018 fiscal period. The primary reason for the increase is due to cash held at year end to fund a portion of the acquisition of Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina which took place shortly after the period end.

During the 2019 fiscal year, the Company paid $16.7 million in dividends to its shareholders. The company also repurchased and cancelled 98,543 shares for a total consideration of $5.2 million. This had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations.

During the year, cash flows generated by operating activities were $113.0 million, compared to $97.9 million in 2018. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated $149.2 million in cash flows, compared to $126.1 million in 2018, which represents an increase of 18% year over year. The increase is mostly due to the increase in EBITDA detailed above.

The revolving credit facility has an authorized amount of $700.0 million (November 30, 2018 – $500.0 million), of which $518.9 million was drawn at November 30, 2019 (November 30, 2018 – $256.1 million).

The facility has the following financial covenants:

- The Debt to EBITDA ratio must be less than 4.00:1.00 after the consummation of an acquisition in excess of $150.0 million for a period of twelve months after acquisition; 3.50:1.00 at any time thereafter.
- The interest and rent coverage ratio must be at 2.00:1.00 at all times.

The credit agreement also contains various limitations on distributions and on the usage of the proceeds from the disposal of assets which are not expected to impact the Company during the term of the credit agreement.

The revolving facility is repayable without penalty with the balance due on the date of maturity September 23, 2022.

At November 30, 2019, the Company was in compliance with the covenants of the credit agreement.

Financial position

Accounts receivable at the end of the year were $65.1 million, compared to $50.0 million at the end of the 2018 fiscal period. The increase is primarily from all the newly acquired brands in 2019.

Assets held for sale, composed of corporate store which are in the process of being refranchised, were $11.1 million at the end of the 2019 fiscal period (November 30, 2018 – nil). The increase is due to the acquisition of Papa Murphy's.

Intangible assets and goodwill grew by $199.9 million and $152.4 million respectively. The increase stems from acquisitions of Allô! Mon Coco, Yuzu Sushi, Papa Murphy's, South Street Burger and Casa Grecque during the year. This was offset by the amortization expense recorded during the year.

Accounts payable and accrued liabilities increased to $100.8 million as at November 30, 2019, from $67.8 million as at November 30, 2018. The full amount of the $33.0 million increase is due to the acquisitions of Allô! Mon Coco, Yuzu Sushi, Papa Murphy's, South Street Burger and Casa Grecque during the year and as well timing of cash payments to suppliers.

Provisions, which are composed of primarily litigation and dispute, closed store and gift card provisions, increased to $106.0 million as at November 30, 2019 from $90.0 million as at November 30, 2018. The increase is mainly due to pre acquisition litigation provisions and gift card liability acquired through the acquisition of Papa Murphy's in 2019.

Long-term debt increased by $265.0 million. The increase is attributable to the additional funds required for the acquisition of Allô! Mon Coco, Yuzu Sushi, Papa Murphy's, South Street Burger and Casa Grecque as well as its associated holdbacks and contingent considerations. This was partially offset by repayments of $73.9 million made throughout the year.

Deferred income tax balances increased primarily due to the acquisition of Papa Murphy's.

Further details on the above statement of financial position items can be found in the notes to the November 30, 2019 consolidated financial statements.

Capital stock
During the 2019 fiscal year the Company repurchased and cancelled 98,543 shares. As at February 23, 2020, the Company had 24,947,020 shares outstanding.

Location information

MTY's locations can be found in: i) found courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery 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 lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

Number of locations:

	Three months ended November 30		**Twelve months ended November 30**	
	2019	2018	**2019**	2018
Franchises, beginning of the period	**7,278**	5,615	**5,919**	5,402
Corporate owned, beginning of period				
Canada	**50**	47	**42**	29
United States	**113**	28	**23**	38
Total, beginning of the period	**7,441**	5,690	**5,984**	5,469
Opened during the period	**84**	68	**303**	269
Closed during the period	**(152)**	(105)	**(558)**	(456)
Acquired during the period	—	331	**1,644**	702
Total, end of the period	**7,373**	5,984	**7,373**	5,984
Franchises, end of the period			**7,229**	5,919
Corporate owned, end of period				
Canada			**50**	42
United States			**94**	23
Total, end of the period			**7,373**	5,984

The Company's network opened 303 locations (132 in Canada, 110 in the United States and 61 International) for the twelve-month period of 2019. For the fourth quarter only, there were 84 locations opened (49 in Canada, 21 in the United States and 14 International).

During 2019, the Company's network closed 558 locations (176 in Canada, 299 in the United States and 83 International); of those, 152 were closed during the fourth quarter of the year (49 in Canada, 82 in the United States and 21 International). Of the locations closed in 2019, 49% were located on street front, 26% in malls and office towers and 25% in other non-traditional formats.

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

Location Type	**% of location count November 30**		**% of system sales 12 months ended November 30**	
	2019	2018	**2019**	2018
Shopping mall & office tower food courts	**16%**	21%	**17%**	22%
Street front	**63%**	56%	**72%**	63%
Non-traditional format	**21%**	23%	**11%**	15%

The geographical breakdown of MTY's locations and system sales is as follows:

Geographical Location	% of location count November 30		% of system sales 12 months ended November 30	
	2019	2018	**2019**	2018
Canada	**38%**	44%	**46%**	51%
United States	**55%**	47%	**49%**	43%
International	**7%**	9%	**5%**	6%

In the United States, only the state of California exceeds 10% of the total system sales for the year. Washington and Oregon are the second and third largest contributor to the network's sales with 7% and 6% respectively. The West Coast of the United States contributes 26% of the Company's system sales (52% of the sales realized in the United States), while the states bordering the Atlantic represents 12% of the company's system sales (24% of the sales realized in the United States)

The breakdown by the types of concepts for the system sales is as follows:

Location Type	% of location count Twelve months ended November 30		% system sales Twelve months ended November 30	
	2019	2018	**2019**	2018
Quick Service Restaurant (QSR)	**84%**	84%	**67%**	65%
Fast Casual	**10%**	9%	**12%**	14%
Casual Dining	**6%**	7%	**21%**	21%

Although the second half of 2018 and the first half of 2019 had a strong influx of casual dining sales due to acquisitions in the casual dining segment, the second half of 2019 saw increasing sales in the QSR division with the acquisition of Papa Murphy's. Papa Murphy's sales represent 14% of total system sales for the year and 25% for the fourth quarter.

System wide sales

During the 2019 fiscal year, MTY's network generated $3,619.8 million in sales, an increase of 30.1% versus the 2018 fiscal year.

The increase is distributed as follows:

(millions of $)	Sales	
	Three months	**Twelve months**
	Ended November 30	
Reported sales – comparative period of 2018 fiscal year	706.4	2,782.5
Net increase in sales generated by concepts acquired during the last 24 months	302.9	795.0
Net change resulting from stores opened or closed in the last 24 months	(3.9)	(8.8)
Change in same store sales growth	11.0	10.6
Cumulative impact of foreign exchange variation	3.6	39.1
Other non-material variations	3.5	1.4
Reported sales – 2019 fiscal year	**1,023.5**	**3,619.8**

The acquisitions realized during 2018 and 2019 were the main drivers of the growth in system sales of 30.1%. The weakening Canadian dollar also resulted in a favorable variation of $39.1 million in reported sales, while the net impact of stores opened and closed in the past 24 months was a $8.8 million decrease in system sales.

Net organic change in system sales, described as the movement in system sales excluding recent acquisitions and foreign exchange variations, for the three and twelve-month period ended November 30, 2019 increased by $10.6 million and $3.2 million respectively. Most of the variance in organic system sales for the three and twelve-month period was caused by favorable same store sales results of $11.0 million and $10.6 million respectively. This was partially offset by the unfavorable impact of store closures.

Cold Stone Creamery and Papa Murphy's are the only concepts that currently represents more than 10% of system sales, generating approximately 17% and 14% respectively of the total sales of MTY's network during the year. For the quarter, however, Papa Murphy's exceeded Cold Stone Creamery with system sales of 25% vs 13%. For the year, Thai

Express, Taco Time and Baja Fresh Mexican Grill are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollar for the presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same Store Sales

During the fiscal year ended November 30, 2019 same store sales grew by 0.4% over last year. Same store sales growth was broken down as follows in MTY's main regions:

Region	Quarter ended November 30, 2019	Twelve months ended November 30, 2019
Canada	+1.5%	+1.1%
United States	+2.7%	+0.4%
International	-7.6%	-7.8%
Total	**+1.5%**	**+0.4%**

During the fourth quarter of 2019, same store sales for Canadian locations increased by 1.5% and has now been positive for the last nine quarters. Quebec, the Western provinces and the Maritimes continued their upward trend with positive same store sales growths of 2.5%, 1.5% and 4.1% respectively for the quarter compared to prior year. Ontario had a slight decline of 1.0% during the quarter mostly due to weakness in mall sales. This was partially offset by an increase in street sales.

The United States had fourth quarter positive same store sales of 2.7%. The West Coast, which represents 52% of total US system sales, had growth of 1.7% for the quarter. The East Coast continued to see growth with a 3.7% increase.

International same store sales decreased by 7.6% during the quarter mostly as a result of decreases in the middle east and Asia.

During the quarter, the newly acquired Papa Murphy's brand posted a negative 3.3% same store sales for franchised locations and negative 4.6% for corporate stores. Those figures are excluded from the information presented above as MTY has not owned this network for more than 12 months yet.

Management continues to expect competition in both the Canadian and US markets to intensify further from a price, product, experience and delivery to end customer points of view. Restaurants are facing more and more competition for food dollars coming from various sources including retail stores « grab and go » and « meal kit deliveries » types of offering. MTY has increased its presence on food delivery platforms and has invested in its own delivery/pick up application to align with consumer preferences.

Although consumer confidence and the current economic environment currently seems favorable, volatility in the price of commodities and currencies has a very material impact on employment rates and disposable income for MTY's customers, resulting in uncertainty with respect to the future.

Stock options

During the period, 200,000 options were granted. As at November 30, 2019 there were 400,000 options outstanding and 22,222 that are exercisable.

Subsequent Events

Acquisition of Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina

On December 3, 2019, one of the Company's wholly owned subsidiaries completed its acquisition of a 70% interest in Turtle's Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group"), three casual dining concepts operating in the province of Ontario, for a consideration of $19.1 million. There are currently 19 franchised Turtle Jack's restaurants in operation. The two COOP Wicked Chicken and the Frat's Cucina restaurants are company-owned, both concepts being in their start-up period.

Dividends

On January 13, 2020, the Company approved a quarterly dividend of $0.185 per common share to be paid out February 14, 2020.

Seasonality

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the US market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands which have better performance during winter seasons such as the newly acquired Papa Murphy's which does better during winter months. Although the Company is trying to offset this risk, it still expects seasonality and weather conditions to be a factor in the quarterly variation of its results. Sales have been historically above average during May to August due to its frozen treat category and its increasing percentage in street front locations. The Company expects that this seasonality will be somewhat offset by the sale of the take-and-bake pizza's at Papa Murphy's which usually sells better when the temperature is cooler. Sales for shopping mall locations are also higher than average in December during the holiday shopping period.

Contingent Liabilities

The Company is involved in legal claims associated with its current business activities. The Company's estimate of the outcome of these claims is disclosed in note 17 of the consolidated financial statements as at November 30, 2019. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

Guarantee

The Company has provided a guarantee on certain leases for which it is not the lessee, for a cumulative amount of $15.1 million (2018 – $9.3 million).

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the United States, 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 many factors including but not limited 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 periods was as follows:

	Year ended November 30	
(In thousands $)	**2019**	2018
	$	$
Short-term benefits	**2,497**	2,051
Share based payment	**657**	659
Board member fees	**75**	64
Total remuneration of key management personnel	**3,229**	2,774

Key management personnel is composed of the Company's CEO, COO's, 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 Chair of the Board of Directors, who controls 19.5% 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:

	Year ended November 30	
(In thousands $)	**2019**	2018
	$	$
Short-term benefits	**494**	452
Share based payment	**22**	20
Consulting services	**38**	13
Total remuneration of individuals related to key management personnel	**554**	485

Changes in accounting policies

Policies applicable beginning December 1, 2018

IFRS 9 – Financial Instruments

Beginning on December 1, 2018, the Company adopted IFRS 9, issued in July 2014 and the related consequential amendments to IFRS 7. IFRS 9 introduces new requirements for the classification of financial assets based on the business model used by an entity to manage financial assets and the characteristics of the contractual cash flows of those financial assets. IFRS 9 provides three classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL, replacing previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 also introduces a new ECL for calculating impairment on financial assets replacing the incurred loss model in IAS 39. The ECL model applies to financial assets measured at amortized cost. Under IFRS 9, ECLs are recognized on initial recognition of financial assets which is earlier than under IAS 39. The adoption of IFRS 9 has not resulted in a material change to the Company's allowance for trade receivables and loans receivable.

The Company also adopted amendments to IFRS 9, issued in October 2017, effective in 2018. The component of the amendments relevant to the Company relates to clarifying the accounting for the modification of financial liabilities and requires the Company to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition. The Company previously modified the terms for the revolving credit facility debts, which did not result in the derecognition of those debts. However, there was no material impact on the carrying amount of the debt as a result of applying the amendments to IFRS 9.

IFRS 9 Transitional Adjustments

As a result of the Company electing not to restate comparative figures, the information presented in the financial statements for the prior year does not reflect the requirements of IFRS 9

The following table summarizes the change in classification

	Original classification under IAS 39	**New classification under IFRS 9**
Financial assets:		
Cash	Loans and receivable	Amortized cost
Accounts receivable	Loans and receivable	Amortized cost
Loans receivable	Loans and receivable	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Revolving credit facilitiy	Other financial liabilities	Amortized cost
Non-interest-bearing contract cancellation fees and holdbacks	Other financial liabilities	Amortized cost
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	FVTPL	FVTPL
Non-controlling interest buyback obligation	FVTPL	FVTPL
Non-controlling interest option	FVTPL	FVTPL

Following the adoption of IFRS 9, there were no further changes to the classification categories of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

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 Standing Interpretations Committee (“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 core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. On December 1, 2018, the Company adopted IFRS 15 using the retrospective transition method.

The adoption of the new standard had the following impacts:

Initial franchise fees, master franchise fees, transfer fees and renewal fees: under previous guidance, the Company recognized these fees when all material obligations and services were performed. Under the new guidance, the Company defers these fees and recognizes them over the term of the related franchise agreement. This has no impact on the amount or timing of cash flows.

Promotional funds: under the previous guidance, the Company did not reflect promotional funds collected from franchisees and the related promotional expenditures in the consolidated statements of income. Under the new standard, the promotional funds collected, and the related expenditures are reported on a gross basis in the consolidated statements of income. To the extent that promotional funds received exceed the related promotional expenditures, the excess contributions will be recorded in accounts payable and accrued liabilities.

Costs to obtain a contract: under the new guidance, incremental costs to obtain a contract have to be deferred if they are expected to be recoverable, unless their amortization period would be less than one year, in which case a practical expedient can be used to expense them as incurred. Accordingly, the Company now recognizes those costs as an asset when incurred and amortizes this asset over the term of the related franchise agreement.

Gift cards: there is a change for some of the gift card programs which were being accounted for based on the remote likelihood of a gift card being redeemed. Following the adoption of the new standard, all of the gift card programs now record expected breakage income proportionately as gift cards are redeemed.

Restaurant construction and renovation: restaurant construction and renovation revenue were previously recognized by reference to the stage of completion of the contract activity; under the new standard, the criteria for recognizing revenue over time are not met, and therefore, the Company now recognizes the revenue for these services at a point in time, when the construction and renovation are completed.

The following tables show the adjustments recognized for each line item impacted by the change.

Consolidated statements of income

	Year ended November 30, 2018		
($ in thousands)	**As previously reported**	IFRS 15 adjustments	**As restated**
	$	$	**$**
Revenue	**353,303**	59,043	**412,346**
Operating expenses	**225,560**	61,935	**287,495**
Income before taxes	**82,900**	(2,892)	**80,008**
Income tax expense (recovery)			
Deferred	**(34,812)**	(88)	**(34,900)**
Net income	**98,991**	(2,804)	**96,187**
Income per share – basic	**4.07**	0.12	**3.95**
Income per share – diluted	**4.06**	0.11	**3.95**

Consolidated statements of comprehensive income

	Year ended November 30, 2018		
($ in thousands)	**As previously reported**	IFRS 15 adjustments	**As restated**
	$	$	**$**
Unrealized gain (loss) on translation of foreign operations	**14,748**	(177)	**14,571**
Total comprehensive income	**112,719**	(2,981)	**109,738**

Consolidated statements of financial position	**As at November 30, 2018**		
(In thousands $)	**As previously reported**	IFRS 15 adjustments	**As restated**
	$	$	**$**
Assets			
Current assets			
Accounts receivable	**49,168**	803	**49,971**
Inventories	**3,574**	455	**4,029**
Prepaid expenses and deposits (1)	**7,291**	624	**7,915**
Contract cost assets	**—**	3,717	**3,717**
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**68,700**	(888)	**67,812**
Deferred revenue and deposits	**20,122**	662	**20,784**
Deferred revenue and deposits	**705**	32,680	**33,385**
Deferred income taxes (2)	**123,078**	(7,078)	**116,000**
Reserves	**1,245**	(133)	**1,112**
Retained earnings	**315,985**	(19,644)	**296,341**

(1) Relates to the current portion of the contract costs assets.

(2) As the previously reported balance was restated in the consolidated financial statements for year ended November 30, 2019. Refer to adjustment in Note 7 in the notes to the consolidated financial statements.

Consolidated statements of financial position	As at December 1, 2017		
($ in thousands)	**As previously reported**	IFRS 15 adjustments	**As restated**
	$	$	**$**
Assets			
Current assets			
Accounts receivable	**34,151**	1,414	**35,565**
Inventories	**3,281**	312	**3,593**
Prepaid expenses and deposits	**5,461**	440	**5,901**
Contract cost assets	**—**	2,062	**2,062**
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**57,555**	(608)	**56,947**
Deferred revenue and deposits	**20,844**	(1,356)	**19,488**
Deferred revenue	**1,946**	29,905	**31,851**
Deferred income taxes	**116,931**	(6,917)	**110,014**
Reserves	**(13,113)**	44	**(13,069)**
Retained earnings	**232,192**	(16,840)	**215,352**

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 November 30, 2019 and have not been applied in preparing these consolidated financial statements.

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

Standard	**Issue date**	**Effective date for the Company**	**Impact**
IFRS 3 Business Combinations	October 2018	December 1, 2020	In assessment
IFRS 16 Leases	January 2016	December 1, 2019	In assessment
IFRIC 23 Uncertainty over Income Tax Treatments	June 2017	December 1, 2019	In assessment

IFRS 3-Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Company will adopt December 1, 2020.

IFRS 16-Leases

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15. The Company anticipates a material change in the presentation of both the consolidated statement of financial position with a range of approximately $550 – $650 million of lease liabilities, $25 – $75 million of right-of-use-assets and $475 – $575 million of finance lease receivable and the consolidated statement of income. Lease-related expenses previously recorded in operating expenses, primarily as occupancy costs will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. Lease-related revenues previously recorded in rent revenue will be recorded as finance income. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's Consolidated Statements of cash flows, but it does not cause a difference in the amount of cash transferred between the parties of a lease.

Although the standard did not change the accounting for most lessors significantly, it does change the manner in which sublessors determine the classification of sublease arrangements between operating and finance leases. Under IFRS 16 this assessment is determined relative to whether the sublease transfers significant risks and rewards of the right of use asset. Accordingly, we expect that many of our subleases will be classified as finance leases under IFRS 16 and that we will begin to record interest income on such subleases within our financing income.

IFRS 16 will be applied for the fiscal year beginning on December 1, 2019 using the modified retrospective approach and the Company will therefore not be restating comparative information. In determining the lease term, management considers all factors that may create an economic incentive to exercise a renewal option or termination option when determining the lease term under the new standard.

In addition, the Company has elected to use the following practical expedients on adoption of IFRS 16:

- The Company has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standards (IAS 17 and IFRIC 4);
- The use of the provision for onerous leases as an alternative to performing an impairment review;
- The right to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- the accounting for operating leases with a remaining lease term of less than 12 months as at December 1, 2019 as short-term leases and leases for which the underlying asset is of low value;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 case of turmoil 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 restaurant industry will be impacted by the current economic uncertainty in the certain regions in which it operates. However, management is of the opinion that any economic situation that occurs within a normal cycle will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; 2) the Company has several concepts offering affordable dining out options 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 Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash, accounts receivables, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2019 and November 30, 2018. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

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

	2019		2018	
(in thousands $)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**7,145**	**7,145**	8,104	8,104
Financial liabilities				
Long-term debt(1)	**531,196**	**542,147**	266,087	268,954

(1) Excludes promissory notes, contingent consideration on acquisition and obligations to repurchase non-controlling interests

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:

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.

Promissory notes issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar

The Company settled and cancelled four of the six promissory notes that were recorded as part of the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar. These four promissory notes were subject to earn out provisions and the Company realized a loss on settlement of $0.5 million on the statement of consolidated income for the period ending November 30, 2019. The Company issued as part of the settlement new promissory notes based on future earnings amounting to $0.3 million. This note is payable in May 2021.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company, with respect to these promissory notes. These notes are subject to significant unobservable inputs such as discount rates and projected revenues and EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of nil on the fair value, as at November 30, 2019 (November 30, 2018 – $0.1 million).

A fair value re-measurement gain of $1.9 million was recorded for these promissory notes for the period ended November 30, 2019 (November 30, 2018 – loss of $1.0 million).

Contingent consideration on acquisitions

The Company issued as part of its consideration for the acquisition of Yuzu Sushi and Allô! Mon Coco contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings and are repayable in August 2021 for Yuzu Sushi and October 2020 and January 2022 for Allô! Mon Coco. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value re-measurement loss of $0.2 million was recorded for the contingent consideration for the period ended November 30, 2019 (November 30, 2018 – nil).

Obligations to repurchase non-controlling interests

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (note 19 in the consolidated financial statements) which is remeasured at each reporting period.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company with respect to this obligation. The non-controlling interest buyback obligation is subject to significant unobservable inputs such as a discount rate and projected EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2019 (November 30, 2018 – nil).

A fair value re-measurement loss of nil (2018 – $0.5 million) was recorded for this non-controlling interest obligation.

Interest rate swap

The Company holds an interest rate swap that is contracted to a fix rate on a notional amount of $100,000 and is maturing in July 21, 2021. The fair value of this interest rate swap amounted to $725 and the company recorded a fair value remeasurement loss of $725 for the year ended in November 30, 2019.

Fair value hierarchy

	Level 3	
(In thousands $)	**2019**	**2018**
Financial liabilities		
Promissory notes for Houston Avenue Bar & Grill	**329**	—
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**2,738**	7,034
Contingent consideration on acquisitions	**3,874**	—
Non-controlling interest options	**2,513**	2,495
Financial Liabilities	**9,454**	9,529

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 November 30, 2019.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the USA, which limits the concentration of credit risk.

The credit risk on the Company's loans receivable is similar to that of its accounts receivable.

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's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's USA and foreign operations use the U.S. dollar (USD) as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in U.S. dollars, other working capital items and financial obligations from its USA operations.

Fluctuations in USD exchange rates are deemed to have minimal risk as they are mostly offset by the stand-alone operations of the Company's US entities.

As at November 30, 2019, the Company has the following financial instruments denominated in foreign currencies:

	November 30, 2019		November 30, 2018	
(in thousands $)	**USD**	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**5,194**	**6,902**	980	1,304
Accounts receivable	**253**	**337**	330	439
Financial liabilities				
Accounts payable and deposits	**(33)**	**(44)**	(32)	(43)
Long-term debt	**—**	**—**	(14,000)	(18,621)
Net Financial Assets (liabilities)	**5,414**	**7,195**	(12,722)	(16,921)

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$0.4 million (November 30, 2018 – loss of C$0.8 million) on the consolidated statements of income and comprehensive income.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $518.9 million (2018 – $256.1 million) of the credit facility was used as at November 30, 2019. A 100 basis points increase in the bank's prime rate would result in additional interest of $5.2 million per annum (2018 – $2.6 million) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains its credit facility to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at November 30, 2019, the Company had an authorized revolving credit facility for which the available amount may not exceed $700.0 million to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility are described in note 16 of the consolidated financial statements as at November 30, 2019.

The following are the contractual maturities of financial liabilities as at November 30, 2019

(in thousands $)	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**100,762**	**100,762**	**100,762**	**—**	**—**	**—**
Long-term debt	**540,650**	**542,631**	**3,418**	**1,647**	**11,185**	**526,381**
Interest on long-term debt [1]	**n/a**	**40,475**	**7,143**	**7,143**	**14,285**	**11,904**
	641,412	**683,868**	**111,323**	**8,790**	**25,470**	**538,285**

[1] When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

Outlook

In the very short term, management's primary focus will be on continuing to produce positive same store sales while alleviating some of the financial pressure on its franchise partners by optimizing processes and sourcing products at prices that are stable and competitive. Innovation, quality of food and of customer service in each of our outlets and maximizing the value offered to our customers are going to be main areas of focus for the coming year.

Management will also focus on the integration of the recently acquired brands. Following the closing of those acquisitions, MTY is well-positioned to expand in Canada and in the United States, including growing its existing Canadian brands into the United States.

The restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, innovation, 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 some of its existing concepts and remains committed to seek potential acquisitions to increase the Company's market share.

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.

Subject to the preceding paragraph, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the design of the disclosure controls and procedures ("DC&P") as at November 30, 2019 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 are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Over the course of 2019, the Chief Executive Officer and the Chief Financial Officer have remediated the previously identified material weakness related to controls over the accounting for non routine and complex transactions, including accounting for purchase price allocations in respect of business acquisitions. Management has tested the remediated controls throughout 2019 and have concluded through testing that these controls were operating effectively.

The Chief Executive Officer and the Chief Financial Officer, together with Management have concluded the financial statements included in this report present fairly in all material respects its financial position, results of operations, capital position and cash flows for the periods presented in accordance with IFRS.

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 November 30, 2019, 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 reality 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 is also 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:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current Liabilities	Long-term liabilities	Revenues	Net earnings
Papa Murphy's	19%	13%	20%	7%	6%	10%	6%
Casa Grecque	2%	5%	1%	1%	0%	4%	2%
South Street Burger	0%	1%	0%	0%	0%	1%	0%
Allô! Mon Coco	1%	2%	2%	0%	1%	0%	1%
Yuzu Sushi	2%	2%	2%	1%	0%	0%	1%

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 consolidated financial statements. For the period ended November 30, 2019, 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, 1% of the Company's revenues and 0% of the Company's net earnings.

"*Eric Lefebvre*"

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Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA, CA Chief Financial Officer