



Source: MTY Food Group Inc.

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PRESS RELEASE
FOR IMMEDIATE RELEASE

MTY REPORTS RECORD THIRD QUARTER RESULTS

- Quarterly system sales were over \$1 billion for the first time in MTY's history, reaching \$1,076.2 million, an increase of 36% compared to Q3-18.
- Same store sales of +0.7% in Canada, +0.6% in the US and -5.4% in international markets
- EBITDA reaches a historical high of \$41.8 million, up 8.0% compared to Q3-18
- Normalized EBITDA of \$42.1 million, up 8.2% compared to Q3-18
- Normalized free cash flows of \$26.9 million, down 4% compared to Q3-18
- At the end of the quarter, the network had 7,441 locations in operation
- Net income attributable to shareholders for Q3-19 of \$22.9 million or \$0.91 per share
- Acquired the assets of Allô!_Mon Coco on July 21, 2019
- Acquired the assets of Yuzu Sushi on July 15, 2019
- Entered into an agreement to acquire the majority interest in Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina on October 2, 2019

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

Montreal, October 11, 2019 - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), one of the largest franchisor and operator of multiple concepts of restaurants in North America, reported today its results for the third quarter ended August 31, 2019.

"Third quarter results were record-breaking for system sales and EBITDA, driven by the first full quarter of contribution from Papa Murphy's, despite it being a seasonally softer quarter for the division. As of last week, our executive team is complete and executing initiatives to improve the performance of individual stores and of the network as a whole. We are very pleased with this acquisition which adds a brand with a differentiated position in the pizza business and allows us to alleviate a lot of the seasonality of our business," said Eric Lefebvre, Chief Executive Officer of MTY.

"Furthermore, we are pleased to report that our consolidated same store sales were positive again this quarter at 0.3%, reflecting growth of 0.7% in Canada and 0.6% in the U.S. We opened 84 locations across Canada, the U.S. and International, up 25% over last year. In terms of profitability, our normalized EBITDA increased by 8%, to \$42.1 million, with the margin being impacted by changes in the revenue mix. We also continued to make acquisitions and increased our credit facility by \$50 million with improved terms. We are well positioned to continue the growth of MTY," concluded Mr. Lefebvre.

Financial Highlights <small>(in thousands of \$, except per share information and margin)</small>	Q3-2019	Q3-2018 (restated for IFRS 15)	Nine months 2019	Nine months 2018 (restated for IFRS 15)
System Sales ⁽¹⁾	1,076,200	789,900	2,596,300	2,076,100
Revenues	163,057	113,006	400,938	295,858
EBITDA ⁽¹⁾	41,847	38,759	104,368	91,857
Normalized EBITDA ⁽¹⁾	42,077	38,876	108,635	93,509
Normalized EBITDA margin (%) ⁽¹⁾	25.8%	34.4%	27.1%	31.6%
Income before taxes	28,754	28,555	72,495	61,165
Net income attributable to shareholders	22,902	22,077	56,987	82,536
Cash flows from operations	27,220	28,241	75,054	67,366
Free cash flows	26,680	27,733	73,361	65,140
Normalized free cash flows	26,910	27,850	77,628	66,792
EPS basic	0.91	0.88	2.26	3.45
EPS diluted	0.91	0.88	2.26	3.45
Normalized basic EPS	0.92	0.88	2.39	2.02

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

THIRD QUARTER RESULTS

Network:

- At the end of the period, MTY's network had 7,441 locations in operation, of which 163 were corporate and 7,278 were franchised. The geographical split of MTY's locations remained steady with the previous quarter with 55% in the United States, 38% in Canada and 7% international.
- System sales were up 36% compared to the corresponding period in 2018, reaching a historical-high of \$1,076.2 million. The growth is primarily attributable to the recent Papa Murphy's acquisition.
- Same store sales increased by 0.3% compared to the same period last year. Canadian same-store sales were up 0.7%, making this the eighth consecutive quarter of positive growth. Quebec, the West and the Maritimes continued to show positive same store sales growth with growths of 1.0%, 0.7% and 3.8% respectively year-over-year. However, Ontario had a slight decline of 0.6%, mostly due to weakness in mall sales. Same-store sales in the United States increased 0.6%. The West Coast, which represents 52% of total US system sales, had positive growth of 0.2% and the East Coast continued to see positive growth with a 1.3% increase.

Financial:

- The Company's revenue increased 44%, from \$113.0 million to \$163.1 million, mainly due to the contribution from acquisitions, more specifically Papa Murphy's and to a lesser extent the increase in processing, distribution and retail segments.
- Cost of sales and other operating expenses increased 63%, from \$74.2 million to \$121.2 million, mainly driven by the acquisition of Papa Murphy's and additional costs associated with the revenues of the processing, distribution and retail segment.

- EBITDA increased 8.0% to a record-setting \$41.8 million, or 25.7% of sales, as compared to \$38.8 million, or 34.3% of sales for the same period last year.
- Normalized EBITDA increased 8.0% to \$42.1 million, or 25.8% of sales, as compared to \$38.8 million, or 34.4% of sales for the same period last year.
- Net income attributable to shareholders increased to \$22.9 million, or \$0.91 per share (\$0.91 per diluted share), when compared to \$22.1 million, or \$0.88 per share (\$0.88 per diluted share), for the same period last year.

NINE-MONTH RESULTS

System sales were \$2,596.3 million, up 25% compared to the same period the year before. Same store sales were flat at -0.0%, with Canada growing 0.9% and the United States declining 0.3%.

EBITDA increased 14% to \$104.4 million, or 26% of sales, as compared to \$91.9 million, or 31% of sales for the same period last year. Net income attributable to shareholders decreased to \$57.0 million or \$2.26 per share (\$2.26 per diluted share) when compared to \$82.5 million or \$3.45 per share (\$3.45 per diluted share) for the same period last year. The results were impacted by an adjustment in the prospective income tax rate for the U.S. used to calculate the deferred income taxes in the first quarter of 2018. Excluding the impact of this nonrecurring adjustment, net income attributable to owners would have been \$48.2 million in 2018, or \$2.02 per share (\$2.02 per diluted share).

LIQUIDITY AND CAPITAL RESOURCES

- In the third quarter of 2019, cash flows generated by operating activities were \$27.2 million, compared to \$28.2 million for the same period in 2018. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated \$42.3 million in cash flows in the third quarter of 2019, up 8.3% compared to \$39.1 million for the corresponding period in 2018, mostly due to an increase in EBITDA.
- As at August 31, 2019, the Company had \$43.7 million of cash on hand, and a long-term debt of \$570.0 million in the form of holdbacks on acquisition and bank facilities.

ACQUISITIONS

On July 21, 2019, the Company's Canadian operations completed its acquisition of the assets of Allô! Mon Coco for a total consideration of \$31.2 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 promissory notes 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 \$27.3 million. A total of approximately \$25.4 million was paid on closing, financed from MTY's cash on hand and existing credit facility and \$2.0 million was held back in the form of a promissory note. At closing, there was 129 franchised restaurants in operation.

SUBSEQUENT EVENTS

On September 23, 2019, the Company amended its credit agreement with a syndicate of lenders. Pursuant to this amendment the Company will have an unsecured revolving credit facility with an authorized amount of \$700.0 million. Maturity and pricing terms have changed in conjunction with this amendment, with the remaining terms mostly unchanged.

On October 2, 2019, the Company announced that one of its wholly-owned subsidiaries has signed an agreement to acquire a 70% interest in Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group"), three casual dining concepts operating in the province of Ontario. 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. The acquisition is expected to be completed within 45 days of the announcement.

CONFERENCE CALL

MTY Group will hold a conference call to discuss these results on October 11, 2019, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 4361017. This recording will be available on Friday, October 11, 2019 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, October 18, 2019.

ABOUT MTY FOOD GROUP INC.

MTY Group franchises and operates quick-service and casual dining restaurants under over 80 different banners in Canada, the United States and internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 35 years, it has been increasing its presence by delivering new concepts in quick-service restaurants and making acquisitions and strategic alliances that have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With over 7,400 locations, the many flavours of the MTY Group have the key to responding to the different tastes and needs of consumers today and tomorrow.

NON-IFRS FINANCIAL MEASURES

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

FORWARD-LOOKING STATEMENTS

Certain information in this News Release may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this News Release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this News Release. Except as required by law, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com.

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