



**Source:** MTY Food Group Inc.

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## MTY REPORTS FIRST QUARTER RESULTS

- EBITDA of \$41.0 million, up 45% compared to Q1-19
- Favorable impact from IFRS16 of \$2.5 million compared to Q1-19
- Free cash flows of \$30.7 million, up 23% compared to Q1-19
- Net income attributable to shareholders increased 29% to \$19.0 million or \$0.76 per share
- Consolidated same store sales growth of +2.1%; Canada, USA and International were respectively +1.6%, +4.3% and -5.7%
- System sales of \$999.5 million, up 45% compared to Q1-19
- Repurchased and cancelled 181,044 shares for a total consideration of \$9.7 million in Q1-20
- Cash on hand of \$56.8 million at February 29, 2020
- Announced measures to minimize the impact of COVID-19 on its franchisees, adjustments to its operations to preserve liquidities and temporary suspension of dividend

*Note that effective December 1, 2019, the Company implemented IFRS 16, Leases, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. Please refer to the section Changes in accounting policies in the Management's Discussion and Analysis for further details.*

**Montreal, May 1, 2020** - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), one of the largest franchisors and operator of multiple concepts of restaurants in North America, reported today its results for the first quarter ended February 29, 2020.

"We entered 2020 with a solid first quarter, building on the momentum of the previous year and delivering on a number of key metrics. MTY generated positive organic growth both on EBITDA and system sales, fueled by same store sales growth of 2.1%. Excluding the impact of IFRS 16, adjusted organic EBITDA growth stood at 6%, in the upper range of our objective. Recent acquisitions performed as expected, contributing heavily to the 45% growth in EBITDA, which reached \$41.0 million for the quarter," stated Eric Lefebvre, Chief Executive Officer of MTY.

"While the impact of the COVID-19 pandemic had minimal impact on our first quarter results, we expect at least the next two quarters to be negatively impacted. In March, we took proactive steps to ensure the well-being and safety of our employees, franchisees and customers and the continuity of our operations and businesses. We implemented temporary cost and cash spending reduction measures and are working closely with our various stakeholders to limit the impact on the Company's liquidity. We ended the first quarter in a strong financial position with \$56.8 million in cash and over \$160 million available on our credit facilities. With the visibility we have as of today, we expect to burn approximately \$10 million in cash in the second quarter as our cost reduction measures took some time to bear fruit and we hope to be near cash flows neutral in the third quarter," continued Mr. Lefebvre.

"In the near-term, our primary focus is to re-open the temporarily closed restaurants by rebuilding customer confidence through the implementation of proper safety measures and adjusting the way we serve customers. Our strategy for the

long term remains intact as we believe our strong brands will be able to regain the positive momentum we saw in the first quarter,” concluded Mr. Lefebvre.

<b>Financial Highlights</b>	<b>Q1-2020</b>	<b>Q1-2019</b>
<b>(in thousands of \$, except per share information and margin)</b>		<b>(not restated for IFRS 16)</b>
System Sales <sup>(1)</sup>	999,500	687,800
Revenues	150,780	107,297
EBITDA <sup>(1)</sup>	41,037	28,376
EBITDA margin (%) <sup>(1)</sup>	27.2%	26.4%
Income before taxes	24,140	19,186
Net income attributable to shareholders	19,008	14,748
Cash flows from operations	30,980	26,757
Cash flows from operations per diluted share <sup>(1)</sup>	1.24	1.06
Free cash flows <sup>(1)</sup>	30,738	24,914
EPS basic	0.76	0.59
EPS diluted	0.76	0.58

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

## FIRST QUARTER RESULTS

### Network:

- At the end of the period, MTY’s network had 7,300 locations in operation, of which 137 were corporate, 7,140 were franchised and 23 were in joint ventures. The geographical split of MTY’s locations remained steady with the previous quarter with 54% in the United States, 39% in Canada and 7% international.
- System sales were up 45% compared to the same period in 2019, reaching \$999.5 million. The growth is largely attributable to the recent Papa Murphy’s acquisition. Organic growth in system sales was \$11.4 million during the quarter.
- Same store sales increased by 2.1% compared to the same period last year. Canadian same-store sales were up 1.6%, making this the tenth consecutive quarter of positive growth. Same-store sales in the United States increased 4.3% and International locations experienced a decline of 5.7%.

### Financial:

- The Company’s revenue increased 41%, from \$107.3 million to \$150.8 million, mainly due to the contribution from acquisitions.
- EBITDA increased 45% to 41.0 million, or 27.2% of sales, as compared to \$28.4 million, or 26.4% of sales for the same period last year. Excluding the impact of IFRS 16, EBITDA would have been \$38.5 million, or an increase of 36%, of which 6% represents adjusted organic growth.
- Cash flows from operations increased 15.8% to reach \$31.0 million during the quarter.
- Net income attributable to shareholders increased to \$19.0 million, or \$0.76 per share (\$0.76 per diluted share), when compared to \$14.7 million, or \$0.59 per share (\$0.58 per diluted share), for the same period last year.

## **LIQUIDITY AND CAPITAL RESOURCES**

- In the first quarter of 2020, cash flows generated by operating activities were \$31.0 million, compared to \$26.8 million for the same period in 2019. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated \$41.1 million in cash flows in the first quarter of 2020, up 43% compared to \$28.7 million for the corresponding period in 2019.
- In the first quarter of 2020, the Company used its cash mainly to make acquisitions for \$19.1 million, repurchase and cancel shares for \$9.7 million and pay dividends to its shareholders for \$4.6 million.
- As at February 29, 2020, the Company had \$56.8 million of cash on hand, and a long-term debt of \$561.7 million in the form of holdbacks on acquisition and bank facilities.

## **NEAR-TERM OUTLOOK**

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to ensure the well-being and safety of our employees, franchisees and customer, and the continuity of our operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on our financial performance. We are taking the necessary steps to mitigate the potential consequences that this situation may have on our operations, franchisees, partners and service to our customers.

In the very short term, management's primary focus is to re-open the restaurants that have been temporarily closed as a result of the pandemic and to rebuild customer confidence by implementing proper safety measures and adjust the way we serve customers. Even after the pandemic is over, customer spending patterns might shift temporarily or permanently from those traditionally witnessed and MTY will have to adapt to new customer behaviours. Although we do not foresee sales comparability for at least the next two to three quarters as a result of COVID-19, management believes the Company will be able to regain customer confidence in the brands and restore the positive momentum it saw in the first quarter of 2020. The Company's focus, after the pandemic will still be on innovation, quality of food and customer service in each of outlets and maximizing the value offered to customers.

The restaurant industry will remain more than ever challenging in the future as customer spending patterns change 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 offerings to consumers.

For further details please refer to the Management's Discussion and Analysis.

## **CONFERENCE CALL**

MTY Group will hold a conference call to discuss these results on May 1, 2020, at 8:00 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 5955197. This recording will be available on Friday, May 1, 2020 as of 11:00 AM Eastern Time until 11:59 PM Eastern Time on Friday, May 8, 2020.

## **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 40 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 7,300 locations, the many flavours of the MTY Group have the key to responding to the different tastes and needs of consumers today and tomorrow.

## **NON-IFRS FINANCIAL MEASURES**

EBITDA (revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit of a joint venture accounted for using the equity method), 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. This includes statements regarding the impacts that the novel COVID-19 pandemic may have on our future operations as found in this release. 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](http://www.sedar.com).

**Note to readers:** Management's Discussion and Analysis, the consolidated financial statements and notes thereto for the first quarter ended February 29, 2020 are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.mtygroup.com](http://www.mtygroup.com).