



**Source:** MTY Food Group Inc.

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## MTY REPORTS SECOND QUARTER RESULTS

- **Non-cash impairment charge of \$120.3 million related to property, plant and equipment, intangible assets and goodwill**
- **Net loss attributable to shareholders of \$99.1 million or (\$4.01) per share**
- **System sales of \$670.7 million, down 19% compared to Q2-19**
- **2,757 restaurants closed during the quarter, resulting in 138,931 business days lost during the quarter; 1,470 were still closed at quarter end, and 573 remain closed as of the date of this press release, which represents less than 8% of the network.**
- **Amended existing credit facility with more flexible financial covenants for the next four quarters**
- **Management initiatives resulting in a reduction of recurring controllable expenses of \$10.1 million for Q2**
- **EBITDA of \$18.2 million, down 47% compared to Q2-19**
- **Free cash flows of \$28.9 million despite dramatic impact of COVID-19**
- **Repurchased and cancelled 364,774 shares for a total consideration of \$18.9 million year-to-date**
- **Cash on hand of \$49.9 million as at May 31, 2020**

*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, July 10, 2020** - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), one of the largest franchisors and the operator of multiple concepts of restaurants in North America, reported today its results for the second quarter ended May 31, 2020.

"Our second quarter presented important operational challenges brought on by the COVID-19 pandemic, with the temporary closure of 2,757 locations at peak level and dramatically reduced sales for many of the locations that remained in operation. While our locations are now gradually re-opening, overall customer traffic remains affected by various local regulations and changes in consumer behavior resulting from work-from-home policies as well as new habits created by shelter-in-place measures that were in effect for a considerable amount of time. During the quarter, we were successful in negotiating an amendment to our existing credit facility that will provide more financial flexibility going forward and reduces the uncertainty related to our capital structure. Very early on in the COVID-19 pandemic, we took decisive actions, implementing a range of measures destined to financially help our franchisees who were facing an abrupt halt in their business. As a result, we had to also implement drastic cost reduction measures which resulted in the quarter's recurring controllable expenses decreasing by more than \$10 million. Although the level at which we reduced our operations is not sustainable in the long run, we will continue to aggressively manage our cash liquidity and adjust to the volatile market conditions" stated Eric Lefebvre, Chief Executive Officer of MTY.

"With the important decline in system sales, EBITDA decreased by 47% to \$18.2 million. As an indicator, MTY's network lost a total of 138,931 days of operations. Papa Murphy's "take'n'bake" concept had very good traction in the context

of COVID-19 and its contribution to consolidated EBITDA was significant. To assist our franchisees in this crisis, we deferred the payment of royalties until September 2020 for an amount of \$7.3 million. With the uncertainty created by COVID-19 and the impact on impairment indicators, we recorded a non-cash impairment charge of \$120.3 million during the quarter.

“With cash on hand at the end of the quarter just shy of \$50.0 million, over \$190.0 million available on our credit facilities, and more flexibility provided by our amended financial covenants, MTY remains in a solid financial position to execute its recovery plan and eventually pursue its growth strategy. Over the next few quarters, our primary focus is to re-open restaurants and provide customers with a safe and friendly environment and optimize the profitability of our restaurants despite the limits and restrictions,” concluded Mr. Lefebvre.

<b>Financial Highlights</b> <small>(in thousands of \$, except per share information and margin)</small>	<b>Q2-2020</b>	<b>Q2-2019</b> <small>(not restated for IFRS 16)</small>	<b>6 Months 2020</b>	<b>6 Months 2019</b> <small>(not restated for IFRS 16)</small>
System Sales <sup>(1)</sup>	670,700	832,300	1,670,200	1,520,100
Revenues	97,808	125,571	248,588	232,868
EBITDA <sup>(1)</sup>	18,213	34,145	59,250	62,521
EBITDA margin (%) <sup>(1)</sup>	18.6%	27.2%	23.8%	26.8%
Income before taxes	(118,299)	24,555	(94,159)	43,741
Net loss (income) attributable to shareholders	(99,126)	19,337	(80,118)	34,085
Cash flows from operations	19,207	21,077	50,187	47,834
Cash flows from operations per diluted share <sup>(1)</sup>	0.78	0.84	2.02	1.90
Free cash flows <sup>(1)</sup>	28,926	21,767	59,664	46,681
EPS basic	(4.01)	0.76	(3.23)	1.35
EPS diluted	(4.01)	0.76	(3.23)	1.35

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

## SECOND QUARTER RESULTS

### Network:

- At the end of the period, MTY’s network had 7,236 locations in operation, of which 137 were corporate, 7,077 were franchised and 22 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 down 19% compared to the same period in 2019, reaching \$670.7 million. Excluding the impact of recent acquisitions, the decrease compared to Q2-19 was 51% (39% in March, 67% in April and 48% in May).
- The decrease is attributable to COVID-19. At peak level, 2,757 locations were temporarily closed compared to 1,470 as of May 31, 2020. As of July 9<sup>th</sup>, 2020, 573 locations remained temporarily closed, which represents less than 8% of the total network.

### Financial:

- The Company’s revenue decreased 22.1%, from \$125.6 million to \$97.8 million, due to the COVID-19 pandemic.

- EBITDA decreased 47% to \$18.2 million, or 18.6% of sales, as compared to \$34.1 million, or 27.1% of sales for the same period last year. Excluding the favorable impact of IFRS 16, EBITDA would have been \$13.3 million.
- Cash flows from operations decreased 8.9% to reach \$19.2 million during the quarter.
- Net loss attributable to shareholders was \$99.1 million, or (\$4.01) per share ((\$4.01) per diluted share), when compared to a net income attributable to shareholders of \$19.3 million, or \$0.76 per share (\$0.76 per diluted share), for the same period last year.

## LIQUIDITY AND CAPITAL RESOURCES

- In the second quarter of 2020, cash flows generated by operating activities were \$19.2 million, compared to \$21.1 million for the same period in 2019. The decline was limited by strict working capital management to preserve liquidities.
- Free cash flows for the quarter amounted to \$28.9 million, up 33% compared to the same period last year. The increase was the result of the refranchising of two groups of Papa Murphy's corporate locations during the quarter.
- In the second quarter of 2020, the Company used its cash mainly to repurchase and cancel shares for \$9.2 million. The payment of dividends to its shareholders was suspended for the second quarter due to COVID-19.
- As at May 31, 2020, the Company had \$49.9 million of cash on hand, and a long-term debt of \$536.0 million in the form of holdbacks on acquisition and bank facilities.
- During the quarter, the Company negotiated an amendment to its credit agreement with its syndicate of lenders. The result was more flexible covenants for the next four quarters with a return to normal terms following this period, during which the Company will be limited in its ability to pay dividends or buy back shares.

## 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 its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may have on its operations, franchisees, partners and service to our customers. Please refer to section Highlights of Significant Events of our Management Discussion and Analysis for further details on actions taken in response to COVID-19.

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 customers are served. Even after the pandemic is over, customer consumption patterns may shift temporarily or permanently from those traditionally witnessed and MTY will have to adapt to new customer behaviors. Although the Company does 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 the outlets and maximizing the value offered to customers.

The restaurant industry will remain more than ever challenging in the future as customer consumption patterns changes and management believes that the focus on the food offering, innovation, consistency and store design will give MTY 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 July 10, 2020, 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 9599226. This recording will be available on Friday, July 10, 2020 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, July 17, 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 7,236 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 second quarter ended May 31, 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).